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ECONOMIC SECURITY ACT

HEARINGS

BEFORE

THE COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-FOURTH CONGRESS

FIRST SESSION

ON

S. 1130

A BILL TO ALLEVIATE THE HAZARDS OF OLD AGE,
UNEMPLOYMENT, ILLNESS, AND DEPENDENCY,
TO ESTABLISH A SOCIAL INSURANCE BOARD
IN THE DEPARTMENT OF LABOR, TO
RAISE REVENUE, AND FOR
OTHER PURPOSES

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PART 1
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JANUARY 22, 1935



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II

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ECONOMIC SECURITY ACT

TUESDAY, JANUARY 22, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in the Finance Committee room, Senate Office Building, Senator Pat Harrison, chairman, presiding.

Present: Senators Harrison (chairman), King, Walsh, Barkley, Connally, Gore, Costigan, Bailey, Clark, Byrd, Lonergan, Black, Gerry, Guffey, Couzens, Keyes, La Follette, Metcalf, Hastings, and Capper.

The CHAIRMAN. The committee will come to order.

Senator Wagner, who introduced Senate bill 1130, is here this morning, and we will ask Senator Wagner to make an explanation of the bill.

STATEMENT OF SENATOR ROBERT F. WAGNER, OF NEW YORK

Senator WAGNER. Mr. Chairman and gentlemen of the committee: For the sake of brevity, I have prepared a statement which I should like to present to the committee, after which I shall be glad to answer any questions that I am able to.

The CHAIRMAN. If you prefer to go ahead and finish your statement, very well, and after you shall have finished with it, the different questions will be put to you.

Senator WAGNER. I thought that might be the better way of presenting the matter. However, I shall proceed as the committee decides.

The CHAIRMAN. Very well.

Senator WAGNER. Mr. Chairman and members of the committee: The center around which revolves all the political and economic thinking of our times is the depression of the past 5 years. Even when we infuse concrete facts with the touch of imagination that gives them life, we cannot count the cost of this calamity to the people of the United States. The huge sum of money that has been spent to provide relief and promote revival is a mere bagatelle compared to the \$45,000,000,000 decline in our annual income. And even if some financial wizard could ferret out these losses in all their obscure ramifications, he could not measure the broken hopes, the ruined lives, and the aftermath of suffering that will be visited upon a large part of the next generation. You gentlemen know the truth so far as it can be known—for your hearings since 1929 have constituted a panorama of a nation's woes.

Happily, the forces making for recovery have now been set in motion. But our bitter experience has fastened attention upon three main problems that we must start to solve now if recovery is not to be built upon a bed of quicksand.

First, what must we do to set up safeguards for those millions who suffer privation and neglect during so-called "good times"? This may be called the problem of those disinherited by our economic system.

Secondly, what must we do to protect those who are destroyed by even the slight and short downward dips of the business cycle that may occur in the future despite our best efforts? This may be called the problem of those who live on a narrow margin of security.

Thirdly, and most important, what can human ingenuity do to prevent economic disorder in its most widespread and virulent forms from leading to national disaster? This may be called the problem of industrial stabilization.

Each of these three paramount problems is most at home in the house of want built by unemployment. Even between 1922 and 1929 unemployment kept the level of disinherited workers at all times above 1,500,000, and the total rose to 4,000,000 in 1928. Unemployment is also the force that attacks and destroys those who live on the narrow margin of security. Lost profits may be regained upon the upward swing of the business cycle, but the working day that is lost is gone forever. Above all, the secret of unemployment is the key to industrial stabilization. In 1929 fluctuations of 600 percent in the volume of unemployment were the storm signals of depression. When we discover how to keep men at work, we shall have discovered all.

Unemployment insurance ranks high in the list of remedies for unemployment. In respect to those disinherited during normal times, it is more economical than relief because preparedness is better than planlessness; and it is more humane because it does not rest upon the degrading means test which assumes that society has no duty to the idle worker until he is destitute.

The chief merit of unemployment insurance, however, is that it will exert a profound influence upon the stabilization of industry. Employers held to strict accountability for the costs of unemployment will strive more diligently for its abolition. The searchlight of attention upon this problem will tend to prolong jobs just as the study of life insurance has tended to prolong life. The transfer of purchasing power by benefit payments when danger threatens will float the business ship off the shoals of depression to the seaway of prosperity.

There is no better way to measure the worth of unemployment insurance than by estimating what might have been its effects had this bill been passed in 1922. The proposed 3-percent tax upon pay rolls, even if we assume that the business decline would not have been attenuated, would have provided \$10,000,000,000 for unemployment relief between 1922 and 1933. It would have created an accumulated reserve fund of \$2,000,000,000 in 1929. If, in addition, the several States had imposed a 1-percent tax upon wages and contributed an equal amount themselves, the total proceeds between 1922 and 1933 would have been \$15,000,000,000, and there would have been an accumulated reserve fund of \$3,333,000,000 in 1929. Certainly the systematic dealing out of these huge sums to maintain consumer demand would have had a most pronounced leveling effect upon the business cycle.

The argument has been advanced with frequency recently that unemployment-insurance taxes would decrease active purchasing power during times of prosperity, and thus hasten the advent of depression. Those who hold this view advocate instead that unemployment relief be financed by public borrowing in time of stress. Since the relative difficulty of financing in hard times is axiomatic, it will be sufficient at this time to answer the criticisms leveled against the insurance idea.

Depressions are accentuated not by a general debility of purchasing power but by an insufficient proportion of purchasing power in the hands of wage earners and other people with low incomes. It is difficult to see how a tax upon pay rolls, paid by employers, would intensify this maldistribution. It could do so only upon the assumption that the tax would be shifted largely to the wage earner, either by wage reductions or by higher prices. This assumption seems far-fetched, in view of the innumerable more powerful factors such as custom, bargaining power, and standards of living, which operate in the market. Moreover, if the several States should add their contributions to unemployment insurance they will raise their share through the general taxing power, which always may be exercised so as to redistribute rather than to concentrate income. Even if we assume that part of the costs of insurance would be carried by wage earners, the temporary reduction in their purchasing power would only be a small part of the increased purchasing power that would be returned to them in benefits when most needed.

The notion that the establishment of unemployment-insurance funds would reduce general industrial activity by withdrawing money from the market is equally fallacious. Insurance funds are not locked in a strong box. Particularly under the present bill, which provides that they shall all be managed and invested by the Secretary of the Treasury, they will be continually at work, exercising a stabilizing effect upon industry and a salutary effect upon credit transactions. Their only distinguishing feature is that they will be specially earmarked for the use of the unemployed at the very times when it is best for business that they should be so used.

With growing recognition of the need for unemployment insurance, there has come considerable sentiment for the enactment of a single and uniform national system. Its proponents advance the argument, among others, that only in this way can a worker who migrates from New York to New Mexico be kept under the same law at all times. This, of course, is true. But there are an infinitely greater number of workers, and industries, that remain permanently within the boundaries of these two States, respectively, and that are permanently subjected to entirely different industrial conditions. European experience with unemployment insurance has demonstrated that every major attempt, except in Russia, has been successful and has been continued. But it has also shown that widely varying systems have been applied to divergent economic settings. Our own extent of territory is so great, and our enterprises so dissimilar in far-flung sections, that we should, at least for a time, experiment in 48 separate laboratories.

On the other hand, so long as the Federal Government remains completely dormant, there will be practically no unemployment insurance at all. Just last year, the Bureau of Labor Statistics estimated that less than one-half of 1 percent of the workers in this

country were covered by voluntary private systems. And after decades of propaganda and education, only Wisconsin has dared to throw down the gauntlet to the interstate competition of other States with lower standards by enacting a law of its own.

Two major plans have evolved for Federal encouragement to Nation-wide State unemployment insurance laws. One of these plans is that the Federal Government should impose a tax upon all pay rolls, and return the proceeds in the form of subsidies to those States which enact unemployment insurance laws. My chief objection to this idea is that, since the State laws would not stand upon their own feet, there would be great pressure upon the Federal Government to make contributions larger than the amounts raised by the Federal pay-roll tax. Thus insurance would be mingled with relief, a method attempted with most unsatisfactory results in England, and generally frowned upon by students of social insurance.

The second proposal for Federal encouragement of Nation-wide State unemployment insurance laws is embodied in the present economic security bill. As a first incentive, the bill appropriates \$5,000,000 for the fiscal year beginning this June, and \$50,000,000 for each succeeding year, 98 percent of which is to be allocated among the States on the basis of need for the administration of such unemployment insurance laws as they may enact. As a more powerful incentive, however, the bill imposes a 3-percent annual Federal Tax upon the pay rolls of all employers with four or more workers, and provides that any employer may offset against this tax, up to 90 percent of its full amount, whatever he contributes to compulsory unemployment insurance funds created under State law. Since the States will be anxious to draw this Federal tax back into their own borders, the natural result will be the enactment of unemployment insurance laws in every State.

While the 3-percent tax is imposed as of January 1, 1936, the bill provides that during the first 2 years thereafter, the tax shall be reduced to 1 percent until the Federal Reserve Board index of industrial production reaches 85 percent of the 1923-25 level, and reduced to 2 percent until such index reaches 95 percent of that level. In this way, business interests are fostered during the years of transition and further revival.

An important feature of this Federal tax plan is the special encouragement which it offers to the stabilization of industry. If any State law enables an employer to reduce the amount of his State contribution because of his good business record, he may offset against his Federal tax not only the amount of his actual payment under the State law, but also the amount of the reduction that he has won. The Wisconsin law gives such an offset for stabilization.

The bill is very careful, however, to guard against the possibility that a State might allow an employer such great reductions as to obliterate the Federal tax and provide no unemployment reserves. No employer will be allowed to offset any reduction unless the State law requires him to continue to contribute at least a fixed percentage of his pay roll into a State-wide pooled fund. Nor will any employer be allowed to offset any reduction in his payments to an individual reserves fund established under State law unless that fund has met all of its obligations and contains not less than a fixed percentage of his total pay rolls.

Practically no restrictions are placed upon the types of laws that the States may enact. They may provide for State-wide pooled funds or for individual company reserves. They may exact contributions from employers or from employees, or from both. They may add their own contributions if they desire to do so. It is estimated that the 3 percent pay-roll tax upon employers alone will provide, after a 4 weeks' waiting period, 15 weeks of benefit payments to the unemployed, estimated at 50 percent of the working wage but not more than \$15. Additional contributions of 1 percent by workers, and 1 percent by the States, would raise the weeks of benefit to 30.

While great latitude is thus left to the States, the bill provides that no State shall receive any subsidy, nor shall any employer be entitled to any off-set against his Federal tax, unless the State law conforms to three basic standards.

The first of these standards is that all funds raised under the State law shall be deposited with the Secretary of the Treasury for safekeeping and management. This will protect the unemployed from the hazards of local financial crises. And as I have already stated, the investment of this huge aggregate fund by the Secretary of the Treasury will exert a tremendous stabilizing influence upon industrial operations.

The second Federal standard is that no State law shall deny benefits to any worker because he refuses to accept work at terms below those prevalent in the locality, or because he will not accept as a condition of employment any interference with his right of self-organization. Unemployment insurance is a matter of right, not of charity; it is a mark of freedom, not an instrument of oppression.

The third Federal standard is that every State shall administer its unemployment insurance through employment offices. If it has none, it must set them up. This tie-up between a system of employment registration and unemployment insurance will chase away the bugbear that men will not work if they can keep body and soul together without working. In addition it will be the surest token that unemployment insurance is only an essential part of the all-engrossing task of finding employment for all.

The narrow margin of security to which so many of our people cling in their prime is inevitably the prelude to complete economic disinheritance in their later life. No one can understand the tragedy of old-age dependency without probing the statistics of our national income. A study completed only a few months ago paints the first full-length picture of family earnings in the United States. It shows that in 1929, 6,000,000 families, comprising 21 percent of our national total, averaged less than \$1,000 per year; that 16,000,000 families, comprising 59 percent of our national total, averaged less than the \$2,000 per year which was the minimum necessary to supply the most basic needs of life; that 20,000,000 families, comprising 71 percent of our national total, averaged less than \$2,500 per year. At the same time, 36,000 families at the top of the economic ladder received as much as 11,653,000 families at the bottom.

In view of these truly startling figures, it is not surprising that the overwhelming majority of men and women cannot prepare for a rainy day. In 1929, the 6,000,000 families that were in abysmal poverty were able to save nothing; 42 percent of all American families, who were earning less than \$1,500 a year, could save only 1 percent of

their incomes; and 59 percent of our families, who were earning less than \$2,000, could save only 1.4 percent of their incomes. In contrast, a family earning \$5,000 saved 17 percent of its income, while a family earning between \$50,000 and \$100,000 saved 44 percent.

Senator COSTIGAN. Senator Wagner, what is the authority for the statistics you have been citing?

Senator WAGNER. It is from a study by the Brookings Institute, very recently published. I think it is the most remarkable analysis we have ever received on this question.

This maldistribution of the capacity for self-protection is summed up in aggregate by figures showing that in 1 year 80 percent of the families in the United States made only 2 percent of the savings, while the other 20 percent of the families made 98 percent of the savings.

These citations throw into bold relief the reasons why fully half of the 7,000,000 Americans who are now over 65 years of age have been reduced to a state of bitter dependency. To help them is a grave social responsibility, because they have been drained dry of their productive energies, and then swept aside like deadwood by a heartless system which has not allowed them to help themselves. To help them is also an urgent national necessity, because it will invigorate the whole economic system by releasing younger relatives from excessive burdens and by spreading purchasing power to an enormous extent.

It is impossible to calculate the precise sums required for this task. Opinions will vary greatly as to what constitute fair standards of health and decency. But if we accept \$40 per month per person as an immediate minimum goal, our 3,500,000 dependent old people need assistance to the extent of \$1,680,000,000 per year. And this need will mount with alarming rapidity. It has been estimated that, due to advance in standards of health, the ratio of old people to the total population will be 10 percent 40 years from now, contrasted with 5.4 percent in 1930 and only 3 percent in 1870. In addition, the forces of modern technology are driving those beyond middle age from the protective shelter of employment into the no man's land of enforced idleness. In a brief quarter of a century, 13,000,000 people will be trapped in this desolate area; and, of these, half will probably be dependent and need assistance to the extent of over \$3,000,000,000 per year.

How do our present agencies for old-age assistance measure up to the task before us? The Federal Emergency Relief Administration, the lamentably weak pension laws of 28 States, and union and public retirement pensions are expending \$250,000,000 per year. This is less than one-sixth of what is desirable today; it is one-twelfth of what should be available 25 years from now. The economic security bill proposes to fill in this gap as rapidly as feasible by spreading a blanket of old-age pensions over the entire country.

The keystone of this project is a national system of compulsory contributory old-age insurance. To initiate such a system, a tax is imposed upon all pay rolls, commencing with 1 percent as of January 1, 1937, and increasing by 1 percent every 5 years until it reaches its maximum of 5 percent as of January 1, 1957. While the entire tax is collected from the employer, half of it is deducted from the wages of his employees, thus making their total contributions equal to his own. Only nonmanual employees earning over \$250 per month are excluded from the plan.

Senator COUZENS. How did you arrive at \$250 a month? Is that just an arbitrary figure?

Senator WAGNER. It was arrived at after considerable consideration.

Senator COUZENS. What consideration did you give to the other figure?

Senator WAGNER. It seemed to be the view of most of those who have studied the problem for some years that this figure was a point of demarcation. Of course, that is for this committee to decide. It is merely a proposal.

Senator COUZENS. I am trying to get your advice as to how you arrived at it.

Senator WAGNER. I think, in the beginning, that is about the figure we ought to set.

Senator CONNALLY. You do not tax them above that?

Senator WAGNER. They are not in the system at all.

Senator CONNALLY. They are not in it? You do not tax those people?

Senator WAGNER. No.

Senator CONNALLY. Why should you not tax them? They are part of the industrial system.

Senator WAGNER. That raises another question which we shall discuss after we finish this one. Of course, to some extent they will be taxed. I will show later on that the Government will be bound for a time to make a contribution, which will be raised by general taxation.

The old-age fund thus created will be used to pay insurance, beginning in 1942, to all employees over 65 years of age in whose behalf taxes have been paid for at least 200 weeks. Of course such insurance will be scaled on the basis of years of participation in the system and average monthly wage. Any employee entering the plan after it goes into full effect in 1957 will receive in benefits no more than the taxes contributed in his behalf, plus interest. Should he die before receiving this full amount, the balance will go to his legal dependents.

On the other hand, many of the middle-aged and older workers who enter the system before 1957 will receive much more than the amount credited to their accounts. And those who enter before 1942 will obtain a specially high rate of benefits. This is necessary to guarantee security for those too old to build up adequate reserves on a basis of participation. Fairness would be outraged if we gave relief in form but not in substance to those who only disqualification is that society has too long neglected them already.

Obviously the gratuitous portion of the aid offered to these millions of older workers must be paid from some source. It will be paid by the Federal Government, and nothing could be more inaccurate than to say that the Federal Government will not contribute to the national pension plan. However, if the Federal Government decided to spread its total ultimate contribution over a period of years beginning in 1937, it would have to make payments of \$500,000,000 per year beginning at that time. This would have the disadvantage of building up an inordinately large reserve of \$75,000,000,000, and it would tax the present generation for the old age of the next. Therefore, the bill defers Federal contributions until the time when the total outgo of the fund will exceed revenue from pay-roll taxes. That will be

in 1965, and until then the Government will issue evidence of obligation to the fund. By 1980 Federal contributions will be \$1,400,000,000 per year, and the total annual income of the fund will be \$3,600,000,000.

While the bill does not require retirement at 65 years, no employee will be entitled to add to his prospective pension by contributions extending beyond that age. But he will be required to contribute nevertheless. As a practical result millions of men who are entitled to rest will yield places in industry to the young and the strong who are entitled to jobs.

The compulsory national system of old-age insurance will not provide for those who engage in business for themselves, or who will be over 60 years of age in 1937. To meet these needs, the bill authorizes grants to the States for old-age pensions, amounting to \$50,000,000 for the year beginning next June, and \$125,000,000 for each succeeding year.

While these Federal grants are to be made on an equal matching basis, and are not to exceed \$15 per month per person, there is no reason to suppose that this will limit old-age pensions to \$30 per month. There is nothing in the law which prevents a State from doing more for itself than the Federal Government does for it. In fact, the Federal administrator may refuse assistance to any State which does not go as far beyond the \$30 level as is necessary to provide health and decency pensions to all its needy citizens.

Senator COSTIGAN. Senator Wagner, the impression has prevailed that if the State attempted to enlarge the old-age pension for people now over 60 years of age, the Federal Government would to that extent diminish its contribution—is that your construction?

Senator WAGNER. Of course not; quite the contrary. If the relief administrator finds that, in order to give at least a minimum living to aged persons, there will be required more than \$15 or more than \$30, he may refuse to make any Federal contribution unless the States raise their contributions enough to insure a decent standard.

Senator COSTIGAN. The language of the draft impressed me as somewhat ambiguous.

Senator WAGNER. We will clarify it, then, because the intent is clear.

Senator COUZENS. I notice, Senator, that you constantly repeat the language, "decent living." Have you attempted to define that in any way or have you in your mind any definition of it?

Senator WAGNER. Well, \$40 per month per person has been estimated as the minimum requirement.

Senator COUZENS. Assume that the administrator determined that the application of the State under the system of an equal contribution to the Federal Government did not create a decent living, what sort of definition would be used to determine whether one State should contribute \$15 and another State \$25, or what?

Senator WAGNER. That is a matter of administration. Of course, you cannot make a fixed rule for all of these things, and there ought to be some discretion lodged somewhere. Some States will require a larger sum than others because of different economic conditions.

Senator COUZENS. Let us assume for argument's sake that you administer it. What kind of a definition would you use?

Senator WAGNER. May I suggest, Senator, that I be allowed to finish this statement, and then I shall be very glad to enter into a

general discussion and make whatever slight and humble contribution I can.

Senator COUZENS. Certainly.

Senator WAGNER. The bill also provides that the Government may borrow money to augment the old-age fund by selling annuity certificates to citizens of the United States who are under 65 years of age. No such annuity is to have a maturity value of over \$100 per month. This is the final tower of strength in a fortress against destitution in the winter years of life.

In providing for the old, the economic security bill has not neglected the young. There are now 7,400,000 children under 16 years of age upon the Federal relief rolls. One-third as many are subject to mother's pension laws in 45 States. But in most cases these laws are so inadequate that the average relief afforded is only \$20 per month per family.

This neglect of our future citizens creates a veritable dynamo to generate social evil. Every year, 200,000 children who have been subjected to the harrowing experience of unsystematic and irregular help are hailed before our courts as delinquents.

The bill therefore provides a Federal appropriation of \$25,000,000 for the year beginning this June, and authorizes a similar amount for each succeeding year, to subsidize the States on a one-to-two matching basis for the care of dependent children. The aggregate sum thus brought into action will be 16 times as much as is now being spent for dependent children by the States and by the ordinary agencies of the Federal Government.

The last few years have left their indelible imprint upon the public health. For the first time in several decades, the death rate in large cities this year has been higher than that of the preceding year. Innumerable social studies have traced the interaction between poverty and disease. In 1933 it was proved that disabling sickness was 50 percent higher among families greatly affected by the depression than among those whose incomes remained relatively stable.

The bill authorizes an annual appropriation for the Public Health Service of \$10,000,000, of which \$2,000,000 is to be devoted to investigation and research, and the remainder distributed among the States on the basis of need.

Since the Federal Government withdrew from participation in a Nation-wide maternal and child health program, the number of States that are virtually inactive in this field has risen from 3 to 23. The bill therefore appropriates \$4,000,000 for the year beginning in June, and authorizes an equal amount for each succeeding year, to be allocated among the States for maternal and child health.

Finally the bill appropriates \$3,000,000 per year for the care of crippled children, and \$1,500,000 for aid to child-welfare services. While it is provided generally that these sums shall be allocated to the States on an equal matching basis, there is enough flexibility to insure help to those localities which at present are suffering under special financial disabilities.

The total Federal appropriation under the economic security bill will amount to \$98,500,000 during its first year of operation. During succeeding years, until 1965, when Federal participation in the old-age plan will commence, the amount will be \$218,500,000. Of this, \$50,000,000 will be supplied from the Federal tax upon pay rolls for unemployment insurance.

Administration of the subsidies to the States for old-age pensions and the care of dependent children is centered in the Federal Emergency Relief Administrator; while the Secretary of Labor is in charge of the grants for maternal and child health, the care of crippled children, and the promotion of child-welfare services. The Bureau of Public Health Service of the Treasury Department oversees Federal aid to public health. The Secretary of the Treasury is entrusted with the management and investment of the funds deposited in the Treasury under the unemployment-insurance law and the compulsory old-age insurance system.

The general activities of the Federal Government in connection with unemployment insurance, old-age pensions, and the further study of social security practices and laws, will be undertaken by a social insurance board of three members with annual salaries of \$10,000 per year, serving terms of 6 years. This board will be located in the Department of Labor.

There is no need to urge upon this committee speedy action upon this bill. The economically disinherited must be given a new franchise. The narrow margin of security must be made broader and surrounded by a protective wall. The house of unemployment must be torn down. The ship of industry must be kept on an even keel. You have before you evidence of a rebirth of that idealism and love for social justice which is uniquely American. It is the beginning rather than the end of an era.

Senator COUZENS. I notice, Senator, that in one of these paragraphs you refer to certain administration being under the Federal Emergency Administration.

Senator WAGNER. Yes.

Senator COUZENS. Do I understand that that is a permanent agency?

Senator WAGNER. No; but there is a provision in the bill that the function may be transferred by the President to some other agency in the event that that particular office terminates.

Senator COUZENS. When you answered my question previously with respect to the necessities of decent living, you said \$40 a month. Can you enlighten us—

Senator WAGNER (interposing). That has been estimated as the amount necessary.

Senator COUZENS. What does that include, may I ask?

Senator WAGNER. Studies of several different organizations indicate that in a family of four, \$2,000 are needed per year. That would mean \$500 per year for one, which is about \$40 a month.

Senator COUZENS. So that would mean \$80 for an old couple; is that right?

Senator WAGNER. I should say so, but of course we are dealing with the individual here.

Senator COUZENS. Yes; but I mean an old married couple that were living together, with the computation contemplated, that would be \$80 a month.

Senator WAGNER. Yes.

Senator CONNALLY. Unless the wife had also been a worker, as you term it, she would not get \$40, would she?

Senator WAGNER. No; I did not say that she would. There are, as you see, two separate pension systems here. One is to take care of

the present old who have had no chance to contribute under any fund and who, under our system, have had all their youth drained without being able to earn sufficient to save anything for the winter day. These people are to be cared for by old-age pensions, with the States making contributions, and the Federal Government matching them to the extent of \$15 per month. Of course, the State may decide that both the husband and the wife need aid. That is discretionary with the State.

Senator COUZENS. In that event, the Federal Government would give \$30 to the family.

Senator WAGNER. To the family; yes.

Senator COUZENS. What I am trying to get at is how you arrive at these figures. What is included in the expenditures of a decent living when you arrived at \$40 a month?

Senator WAGNER. I do not recall definitely the specific items. I suppose they came nearer to subsistence than to any kind of luxurious living.

Senator COUZENS. I want to know what you include, to find out whether that was adequate or not.

Senator WAGNER. Bed and board, I suppose. While the study has not been made by me individually, I think uniform conclusions have been reached by most organizations that have made special studies. I am relying upon their investigations.

Senator COUZENS. I presume we will have witnesses who will testify how they have arrived at it.

The CHAIRMAN. There are others who have studied this question who will appear before the committee, I imagine.

Senator WAGNER. Yes. I think we shall be able to get any of these so-called "social workers" to give you exactly what is included in their estimate, how much for rent, how much for eating, and so on.

Senator HASTINGS. Senator Wagner, do I understand that if a State should find itself in a position where it could not raise more than \$15 a month which is admitted would not apply to the requirements here—

Senator WAGNER (interrupting). That is not admitted.

Senator HASTINGS. I got the distinct impression that it took \$40 a month to make a decent living within the definition of this bill.

Senator WAGNER. I think I said to Senator Couzens that in different sections of the country the economic conditions are different. Undoubtedly, in some localities, \$30 would go further than \$40 would in others. I think it is unwise to fix a uniform amount. If my own opinion were asked, I should like to give \$40.

Senator HASTINGS. Take a locality where it must be admitted that \$40 is necessary to make a decent living, but that the States' finances were such that it cannot raise more than \$15 a month to take care of all the aged people. Are we to understand that under conditions like that, the Federal Government would not contribute anything?

Senator WAGNER. No; you should not understand anything of the kind. Undoubtedly the relief administrator would determine, if it were utterly impossible for the State to make more than a \$15 contribution, that the Government will add its \$15 to it. The person would not be left absolutely abandoned.

Senator HASTINGS. But that depends entirely upon the judgment of the administrator.

Senator WAGNER. How else can we work it? We have to put large responsibility somewhere. We cannot sit here and pass upon each individual case as legislators.

Senator HASTINGS. Yes; but we could say that if any State contributed \$15 they would be entitled to participate in this fund that is contributed. We could do that, and I am wondering whether that would not be safer than to give to some single person the right to say that nothing shall be contributed because in his judgment the State has not done its full part.

Senator WAGNER. Well, of course, no administrator would take such an arbitrary attitude. He would act as in fact has been done recently. He would try to persuade States to raise a larger sum for relief, and to use their taxing power for such purposes. But he would not abandon any State where it has been found utterly impossible for the State to raise any more. Of course your committee, and ultimately Congress, must decide whether you want to make a rigid and fast rule or whether you want to lodge some responsibility elsewhere. I think it would be desirable to do the latter.

Senator COUZENS. But I do understand that the administrator under this bill would not be authorized to contribute the \$15 of Federal money if the State could only contribute \$10, is that correct?

Senator WAGNER. That is correct.

Senator HASTINGS. Now, Senator, will you tell the committee how you arrive at this annual sum of \$125,000,000?

Senator WAGNER. I do not think that it is enough to take care of all of the 3,500,000 old people who are dependent.

Senator HASTINGS. The committee reports it as 3,750,000, doesn't it? Half of seven and a half million?

Senator WAGNER. I am speaking in approximate figures.

Senator HASTINGS. Yes.

Senator WAGNER. At the present time, the State governments are contributing only \$40,000,000 to aid the old people who are destitute. It is hoped that with this new encouragement by the Federal Government, and with the awakening of a public conscience, the States will make an effort to contribute a larger sum. It is estimated that \$125,000,000 will be about what the States will contribute by next year. The committee can make its own estimate; and of course the Federal money will not be expended unless the State matches it.

Senator HASTINGS. Let me call your attention to the fact if you have not figured it yourself, that \$15 a month is \$180 a year, and if you divide that into \$125,000,000, it shows that you have taken care of 694,444 people out of 3,750,000.

Senator WAGNER. That is true. I should like to make the bill more liberal. You and I shall not quarrel about that. You have a great responsibility here in the Finance Committee to determine how far the Federal Government can go in this matter consistently with your other expenditures.

Senator HASTINGS. I am not arguing it at all. I am not entering into argument with you about it; I just want to call attention to this.

Senator WAGNER. That is true.

Senator HASTINGS. If the States should act to the utmost that it is hoped and expected, and all of these 3,750,000 people should be

taken care of by the States, the \$125,000,000 appropriated would only allow \$33.33 a year to each person, or only \$2.78 per month instead of \$15 per month.

Senator WAGNER. What is the point or the idea of your inquiry? Is the idea that because we are not making a large enough contribution we ought to abandon it altogether?

Senator HASTINGS. I do not want the public to get the impression that \$125,000,000 annually is going to allow payment to 3,750,000 people of \$15 a month. The general impression is that by this appropriation, the Federal Government has stated that it is willing to take care of all persons over 65 years of age up to \$15 a month, while as a matter of fact it only takes care of them up to \$2.78 a month.

Senator WAGNER. I do not see how anyone could have made that statement, and I do not think anybody did. This is a new field we are exploring.

The CHAIRMAN. Did you take into consideration, Senator Wagner, that perhaps some of the States have not passed the pension laws and perhaps would not get the machinery set up and have this available for the first year?

Senator WAGNER. The first year the Federal Government is contributing only \$50,000,000. The Senator is talking of the second year, when we contribute \$125,000,000. I am sure that as the States make larger grants, the Federal Government will increase its appropriations if necessary to take care of these people.

Senator COUZENS. Certainly the implication of the Senator from Delaware is correct. The impression is that this bill provides just the very thing that the Senator says, and it is no use fooling the people that this is going to take place if you are only going to provide \$125,000,000. Let us put the full amount in and tell the truth.

Senator WAGNER. I do not think anybody is thinking of trying to fool the people.

Senator COUZENS. I am not charging the Senator with it.

Senator WAGNER. This is a step that no other administration has ever taken. There has never been such concern for the old and the neglected in our economic structure. It is for this committee to say whether to authorize a larger appropriation. If you do, I shall not quarrel with you, because I think we should have taken this step long ago. I used to say so in the New York State Senate, but I was a voice in the wilderness.

Senator COUZENS. The Senator and I do not quarrel about those things.

Senator WAGNER. I understand that.

Senator COUZENS. What I am trying to point out is that the Senator should tell us in his explanation of the bill that this \$125,000,000 is wholly inadequate to carry out —

Senator WAGNER (interrupting). I think I did, very clearly, Senator.

Senator COUZENS. Well, perhaps I missed it, then. It is certainly plain that this bill as it is written will not carry out what the general public contemplates it will do.

Senator WAGNER. It is much more than is now being paid by the States.

Senator COUZENS. Oh, yes; I am not talking about that.

Senator WAGNER. The States are spending about \$40,000,000 per year now, and we are trying to raise this sum so that the States may

pay at least \$125,000,000 per year until we get our contributory system going. Then I think the contributory system will take care of these people and we shall wipe out this destitute class.

Senator HASTINGS. The point I had in mind——

Senator WAGNER (interposing). In Delaware, your pension law allows you to pay \$25 per person, but you are paying only \$9 per person to those you do take care of. Apparently the State of Delaware has not found that it is able to contribute more than \$9 per person per month.

Senator HASTINGS. You are expecting us to contribute as much as \$15 and I have a notion that you would expect us to contribute at least \$25 if we are going to participate in this at all.

Senator WAGNER. I think Delaware can afford it, can it not?

Senator HASTINGS. That is what I supposed.

Senator WAGNER. In spite of the fact you can afford it, you have contributed only \$9 per month.

Senator KING. It may be the State is so prosperous it does not have many people who need it.

Senator COUZENS. I was going to make a suggestion. I think it is a rather prosperous State. I should think it would be willing to pay more than \$9 per month.

Senator HASTINGS. Senator, you have stated that this is more than any other administration has done, and this is a step in the right direction.

Senator WAGNER. It is a forward step, undoubtedly.

Senator HASTINGS. The point I want to make is in this connection, that it is only a step.

Senator WAGNER. Exactly, and I will go along with the Senator if the Senator would like to go further. I do not think it is quite consistent to say in one breath that we are spending too much, and at the same time find fault with the fact that we are not spending enough. I do not quite understand that logic. I will go along with the Senator to make it a much larger sum if we can provide the funds.

Senator HASTINGS. Now, Senator, you are here as a witness and you have done a great job in explaining this bill but you certainly ought not to object to my questioning you.

Senator WAGNER. I withdraw the statement.

Senator HASTINGS. You certainly ought not to object to my trying to find out what is in the bill, without calling my attention to the fact that I objected to spending so much.

Senator WAGNER. That was an impersonal statement. It had no reference to the Senator at all. I am sure the Senator has never taken that attitude.

Senator HASTINGS. I want to call you attention to the fact that if you take care of what the bills says it is necessary to take care of, namely, 3,750,000 at \$15 per month it will require \$675,000,000.

Senator WAGNER. Yes.

Senator HASTINGS. I just want to call your attention to that.

Senator WAGNER. Yes.

Senator HASTINGS. And I want to call the attention of the committee to it.

Senator WAGNER. That is right.

Senator HASTINGS. Now there is one other question that I would like to clear up and that is why this tax of 1 percent on the employee and employer does not take effect until January 1, 1937.

Senator WAGNER. Well, it is a tremendous task to put into operation a system of this kind, with all the preparation necessary.

Senator HASTINGS. Could not it be done by January 1, 1936?

Senator WAGNER. That is again a matter for the committee or Congress to decide. It has been the opinion of those who have been interested in this whole problem that it would take a little longer than 1936 to make the necessary preparations. It is a tremendous task, mind you. We are taking in, as you know, every manual worker, and every other worker of the white-collared class who earns \$250 or less per month. Also, the annuity measurements are complex. But, of course, the opinion of the committee governs.

Senator HASTINGS. I am correct, am I not, in assuming that every housewife who employs one maid will be required to make a tax return, and every farmer who employs one farm hand will be compelled to make a tax return?

Senator WAGNER. Yes.

Senator HASTINGS. Well, the bill says, if you will look at your own bill, it simply states that every worker, with the exception of those earning \$250 a month, is required to make a return.

Senator WAGNER. Yes.

Senator HASTINGS. I want to find out whether that was the intent.

Senator WAGNER. A tax return, you mean, with reference to this particular part of the bill?

Senator HASTINGS. On the old-age pension.

Senator WAGNER. Yes.

Senator HASTINGS. That is correct?

Senator WAGNER. Yes. All these matters are bound to inconvenience some, in order to reach the main objective.

Senator HASTINGS. Have you any idea how many people would be taxed under that old-age pension, that one-half of 1 percent, which is somewhere between 40 and 45 millions?

Senator WAGNER. Oh, no.

Senator HASTINGS. You say it would not be that many?

Senator WAGNER. I do not think so.

Senator HASTINGS. There would be some 45,000,000 gainfully employed?

Senator WAGNER. A great many of them would receive more than \$250 per month.

Senator HASTINGS. Not a great lot of them, not many more than that.

Senator WAGNER. Whatever the number may be, they will all be included. I think off hand it would be about 26 millions, but the Senator may be right.

Senator HASTINGS. I haven't any figures on it, but it would be my guess it would be 40 or 50 millions.

Senator WAGNER. I do not think it would be that many.

Senator HASTINGS. While this tax does not begin until January 1, 1937, the tax for employment insurance does begin January 1, 1936.

Senator WAGNER. Yes.

Senator HASTINGS. Can you explain why one begins in 1936 and one in 1937?

Senator WAGNER. They are entirely separate propositions. We have discussed insurance so long that we are quite familiar with what its administration should be. A number of the State legislatures are

meeting this year, and they are ready to inaugurate systems of unemployment insurance. I think that we are ready to step forward without much more preparation. It is not nearly so complex a task of organization as the national pension system.

Senator HASTINGS. Will you explain the reason why the Federal employees and the railroads were left out of this?

Senator WAGNER. Because they both have retirement systems.

Senator HASTINGS. Have you any assurance that this retirement system will be any more effective and the necessary funds to pay annuities will be accumulated any better than it is under the Federal employees' system?

Senator WAGNER. I think it will be properly administered.

Senator HASTINGS. Do you happen to know that the Government is already short \$100,000,000 in the amount that the Federal employees have paid into that fund, to say nothing about their own contribution?

Senator WAGNER. The thing to do is to perfect that administration, but not to abandon the idea.

Senator HASTINGS. I am wondering why, while we are doing this great job, we do not put it all in one, why make a distinction between the Federal employees and the railroads on the one hand and all of this other great group of citizens constituting the balance of the United States on the other hand.

Senator WAGNER. Through an act passed last year, with which I had the honor to be associated, there was created a pension system for the railway employees, and there is no reason for interfering with it. Now as to the pensions for Government employees, they have been in development all over the country for years, and should not be disturbed. I do not know about the criticism that you make. Most of our State funds in New York are sound. If the criticism is valid anywhere, corrections in administration should be made. Of course that does not argue against the desirability of this type of system.

Senator HASTINGS. Except to this extent, that if the Federal Government has not succeeded in that small endeavor what assurance is there that it will succeed in this very much greater one, unless you perfect the system in some form?

Senator WAGNER. There may be more efficient administration now.

Senator HASTINGS. Have you any idea how many people it would require to administrate this old-age annuity plan, the collection of all these taxes from every housewife and every farmer, and every citizen everywhere, plus the keeping of the records, and as I understand the bill, it would be necessary not only to keep the amount of money that the wage earner had accumulated, but it would be necessary to keep a time sheet of every single worker in the country. I do not intend to criticize. I am tremendously interested in the thing.

Senator WAGNER. You are showing the stupendousness of the task. Therefore, it might require some little time to prepare for it.

Senator HASTINGS. Yes.

Senator WAGNER. But certainly we should not be frightened by the stupendousness of the task if we are satisfied that we seek the proper objective of social justice.

Senator HASTINGS. I just want to know if you have any figures on it.

Senator WAGNER. I am not afraid of that task, Senator.

Senator HASTINGS. Have you got any figures as to the number of people?

Senator WAGNER. I haven't, but undoubtedly they will be supplied to the committee. The same sort of administrative difficulty argument was used in New York State when I had the honor of proposing the workmen's compensation law, which has become a model for other States. But within a year the argument vanished, and everybody recognized the law as a great boon and blessing to industry as well as labor.

Senator HASTINGS. Have you undertaken in any way to protect the funds that will be accumulated for old-age pensions by various industries of the country?

Senator WAGNER. We are leaving that entirely to each State to work out.

Senator HASTINGS. Under this plan can a State pass a law that will protect such industries so that they will not have double taxation?

Senator WAGNER. Yes.

Senator HASTINGS. I could not figure that out.

Senator WAGNER. The State may either erect a system of reserves to be held within each industry, or by particular employers, or they may have a State-wide pooling system. Of course if you have in mind plans whereby the worker, if he leaves a particular employment, loses all interest in the funds, that is another thing.

Senator HASTINGS. No; I do not have that in mind.

Senator WAGNER. I do not think it would be very desirable to continue with that type of system, because that interferes with freedom of action.

Senator HASTINGS. I agree with you on that.

Senator WAGNER. Every State is at liberty to select whatever system it chooses, so long as certain standards that we select are complied with.

The CHAIRMAN. Are there any other questions, gentlemen, of Senator Wagner?

Senator KING. Senator Wagner, I was interested in one statement that you made relative to the savings in the banks of the United States. My recollection is that a recent publication indicated that of the 50 billions of savings in the savings banks of the United States, State and national, more than 45 billion dollars of that huge sum had been deposited by persons, the aggregate of whose savings was \$500 per person, that is, who did not exceed that, it was from \$10 to \$500, indicating that substantially all of the deposits in the savings banks today were by persons of limited means and small wage earners. I was wondering if you had some data on that.

Senator WAGNER. That may be so, but there is a large proportion of our population that never has an opportunity to save anything.

Senator COUZENS. Will the Senator indicate where the reference is that the savers have \$50,000,000,000 in the banks?

Senator KING. I saw it in some newspaper recently.

Senator WAGNER. I do not think anybody denies that there is an unfair distribution of income.

Senator COUZENS. I think that is true, but I doubt whether the workers have \$50,000,000,000 in the savings banks.

Senator KING. I did not say that, I said there were \$50,000,000,000 in the savings banks.

Senator COUZENS. With an average of \$500?

Senator KING. Yes; and the average was \$500.

Senator COUZENS. I was wondering where the Senator got the record from, because I would like to have that checked up. I think the Senator probably got the wrong information.

Senator WAGNER. About 22 or 23 percent of our families in the United States are never able to save a dollar, and 36,000 wealthy families have as much income as nearly 12,000,000 poor families.

Senator COUZENS. That may be, but, Senator, the proposal is to help the needy old now?

Senator WAGNER. Yes.

Senator COUZENS. What definition has the Senator arrived at so as to determine the need?

Senator WAGNER. May I state, Senator, to clarify my answer, that even under the contributory system there are some, who are going to retire soon, who will receive an income more than an earned annuity.

Senator COUZENS. Without regard to needs?

Senator WAGNER. Yes; because they are contributing.

Senator COUZENS. That part is without regard to needs, but there is another scheme, as I understand it, to take care of the needy.

Senator WAGNER. The needy who are now too old to contribute into a fund and are not eligible to join a fund will be helped by the pension-subsidy plan.

Senator COUZENS. What I am trying to get at is your definition of need, to take care of as a group. What is your definition of "need"? What is your definition of it?

Senator WAGNER. Well, it is what is needed by a person of that age.

Senator COUZENS. Yes.

Senator WAGNER. Enough to care for him decently.

Senator COUZENS. That covers the prior question that I asked.

Senator WAGNER. Yes.

Senator COUZENS. Now, I am getting at as to how it would be determined that you needed any aid if you applied for the old-age pension.

Senator WAGNER. The State would provide means tests itself for that purpose.

Senator COUZENS. We are not going to involve ourselves in that at all before we make a contribution?

Senator WAGNER. Well, judging from what the States have done heretofore, they haven't nearly met their obligations to take care of the needy.

Senator COUZENS. That might be true, I admit that.

Senator WAGNER. Some of them have filed reports.

Senator COUZENS. What I am trying to get at is what in your opinion would be a need. Would it be a case where the children had adequate means to take care of the parents and the parents themselves did not have any at all? Just how would you arrive at that need?

Senator WAGNER. I take it there would be some inquiry made to ascertain whether a person is so destitute as to need the aid of the State.

Senator COUZENS. I know cases where children of wealthy parents who themselves did not have much, have applied for Home Owners'

Loan Corporation loans and the corporation denied the loan because the condition of the families as a whole made it such that the applicant was not in immediate need for relief. Now, would that be one of your interpretations as to the need of contributions to an old-aged person?

Senator WAGNER. I can only say that in New York State where parents are destitute, and it is found that the income of the children is more than sufficient to care for the parents, we compel the children to contribute toward the support of the parents.

Senator COUZENS. Then you do not make any contribution in that case at all?

Senator WAGNER. We do not, but we see that they are provided for.

Senator COUZENS. Yes.

Senator WAGNER. Where there are wealthy children who have just deliberately refused to take care of their parents, we make them do so. But there are not many such cases, for most children are loyal to their parents, and care for them if they can.

Senator COUZENS. That is the point I am bringing up.

Senator WAGNER. There is now a new class of needy added to the aged, because children have met the same disaster as the result of the depression as the older people. Now, to have added to their own burden, that of caring for their parents, has resulted in many cases in living in poverty and all of the consequences of poverty.

Senator COUZENS. Yes, I understand that. I am trying to get the extent of the Senator's study. I know his sympathies in the situation.

Senator WAGNER. I have tried to exercise business common sense, Senator. I do not allow my emotions to carry me away.

Senator COUZENS. We never think that we may be in error ourselves.

Senator WAGNER. I do not think it a difficult fact to ascertain, whether a person is actually in need of State aid or not. We are doing that every day now on the relief rolls.

Senator COUZENS. What I am trying to get at, so that the public and Congress will understand, is just what the effect of this is going to be. The Senator knows I am entirely in sympathy with his legislation.

Senator WAGNER. I know you are.

Senator COUZENS. I want the country and Congress to understand, if they can, in what direction they are going and how they are going to proceed. For example, assume the Senator is taking care of his parents—

Senator WAGNER. I wish they were here so I could.

Senator COUZENS. I am just using a hypothetical case.

Senator WAGNER. Yes.

Senator COUZENS. Assume the Senator says to his parents, "Now, you can get off my hands by going and applying for an old-age pension", would they be eligible for Federal contribution?

Senator WAGNER. An inquiry would be made, and undoubtedly the children who can take care of their parents will be compelled by State action to do so.

Senator COUZENS. And there would be no Federal contribution?

Senator WAGNER. There would be none in such cases.

Senator COUZENS. That is what I wanted to know. We will have to deal with all kinds of human beings and not only the average.

Senator WAGNER. Yes.

Senator HASTINGS. There is a provision somewhere in here, as I recollect it, that the State shall certify that a person is not made ineligible merely because he holds as much property as \$5,000. Isn't that in this bill somewhere?

Senator WAGNER. It is not there. It was originally.

Senator HASTINGS. But it is not in this bill?

Senator WAGNER. No. A person might have a piece of property which, if it could be sold, might be worth \$5,000, but if it is utterly impossible to dispose of that piece of property and if he has no income, you are not going to leave him lying in that particular lot.

Senator HASTINGS. I thought it might throw a little light on any question that Senator Couzens asked.

Senator WAGNER. That is in the report, not in the bill.

Senator HASTINGS. It is in the report, not in the bill itself?

Senator WAGNER. Not in the bill, because I do not think it is a fair test.

Senator COUZENS. I quite agree that a man might have a home and not have a nickel to buy food with.

Senator WAGNER. That is it exactly.

Senator KING. Senator, the purpose is not to have the Federal Government supervise the action of the State, or to deny the State the power which it now exercises in dealing with its own residents.

Senator WAGNER. Not at all.

Senator KING. It is really to supplement?

Senator WAGNER. To supplement their effort in that direction.

Senator KING. And to stimulate a case where they have not made ample provisions to enact legislation more human in character, calculated to care for the needs of the people?

Senator WAGNER. Exactly.

Senator KING. And the administration, so far as it is possible, is to be left to the States?

Senator WAGNER. Yes. I imagine that the subsidies for a while will increase. But once the contributory system of insurance is on a sound basis, there will be relatively little need to care for the old in the manner that we are required to care for them now.

Senator HASTINGS. Senator Wagner, I would like to inquire whether any thought was given to connecting this annuity for old-age pensions with the unemployed. I had this in mind: If this annuity, this forced saving by the employer and employee were paid into a fund under this bill for the purpose of taking care of them in their old age, whether it might not be better to combine the whole thing and then, under certain conditions of unemployment, to permit them to draw on that accumulated fund as long as some board which was acquainted with their condition found it was necessary. I can understand how that would destroy, in a measure, that old-age pension.

Senator WAGNER. I think we are using other methods for that purpose. In the first place we have unemployment insurance to take care of the unemployed, for a period of time at least.

Senator HASTINGS. That is only a period of 15 weeks.

Senator WAGNER. No, sir. It depends on the liberality of the State. In all, we have pensions and insurance to take care of a person in old age, we have unemployment insurance to take care of him when

he is temporarily out of work, and in addition, we have a public-works program, which is to absorb the unemployed when industry is slack. Now, with that threefold program, we ought to provide for pretty nearly everyone.

President Hoover signed a bill I fought for during several years, which created a stabilization board, but unfortunately he did so in the midst of the depression. The purpose of that board was to prepare a public-works program 6 years in advance. The director was required to keep in touch with economic conditions. The idea was that just as soon as the barometer of business is coming down, we go in with our public-works program, and as the barometer goes up again, which means that private industry is beginning to pick up, we retard our public construction. It is that program that is called employment insurance. You have employment insurance, you have unemployment insurance, and you have old-age insurance and pensions. I think that three-part program will be a tremendous step in bringing about economic stabilization and regularization of employment and security in old age.

Senator COUZENS. Would the Senator object if we divided this up into different bills to accomplish the different purposes?

Senator WAGNER. Senator, we are passing \$4,000,000,000 in appropriations, as I understand it, by a separate bill. But it must all be coordinated by a sympathetic administration.

Senator COUZENS. That is not what I was trying to get at, Senator. I was thinking about your particular bill. It seems to me we are more or less in confusion because there are more than one different activities contemplated in your bill.

Senator WAGNER. I do not see why we cannot discuss them if they are all in one bill, just as well as if three bills were on the table at the same time, since they are correlated. I should prefer, if you ask me for my opinion, to have them in one bill.

Senator COUZENS. All right. I just want your opinion.

Senator HASTINGS. The advantage in having them separate is that some people might want to support one and not support the other. I suppose the advantage, from your point of view, is to have them vote for all of it or be charged with being against all of it.

Senator WAGNER. Not at all. You have got your chance to amend the bill on the floor. You do not want to ascribe such sinister motives to me, do you?

Senator HASTINGS. No, no; not at all. Somebody higher up than you, perhaps, is what I had in mind.

Senator WAGNER. There is not anyone higher, so far as my actions are concerned.

Senator HASTINGS. Senator, I want to ask you one other question. You made a statement a moment ago that the State may do more than that. Is it contemplated under this bill that the State shall use more for unemployment insurance than is paid by the industries and farmers and other people that have to pay this 3-percent tax?

Senator WAGNER. I am sorry. I do not grasp your question.

Senator HASTINGS. I got the impression that this bill undertakes to force the States to enact unemployment insurance laws in order that that State may get 90 percent of what is collected from that State.

Senator WAGNER. Of course you know the purpose of that. There are many States, Senator, who want to pass unemployment insurance laws, since they know they benefit the worker and eventually all. But none of them, outside of Wisconsin, has dared to talk plainly, because they were afraid of the comparative disparity between the States. In one State the cost of production would be increased by the amount of contributions into an unemployment insurance fund, and they were afraid that an adjoining State which was not as progressive and refused to pass an act might have a competitive advantage. To put all States on a parity we provide this tax, so that if a State refuses to pass a law it hasn't that advantage gained by a low standard. That is the purpose of the act.

Senator HASTINGS. You got off the point that I intended to inquire about. Under this bill does a State get back all that the people in that State pay, under this 3-percent tax?

Senator WAGNER. 90 percent of it.

Senator HASTINGS. 90 percent of it?

Senator WAGNER. Yes.

Senator HASTINGS. That goes back to the State?

Senator WAGNER. Yes.

Senator HASTINGS. Is it contemplated that the State shall, in order to maintain a proper unemployment insurance plan, contribute anything other than comes from that 3-percent tax, 90 percent of which goes back to it?

Senator WAGNER. That depends on for what period it is proposed that the worker shall have unemployment benefits. That is a matter for the State to decide.

Senator HASTINGS. In other words, assuming that the 3-percent tax would run to \$5,000,000 for a State and you leave that entirely to the State legislature, as to whether they shall increase that by some other kind of a tax of their own?

Senator WAGNER. It may require larger contributions of employers, or it may require employees to make contributions, or the State may decide to contribute something itself.

Senator HASTINGS. That is what I mean.

Senator WAGNER. As most of the European countries are doing. By the way, Senator, you know that we are the only industrial country in the world that hasn't an unemployment insurance.

Senator HASTINGS. In other words, the State may bring that amount up to whatever the legislature cares to make it?

Senator WAGNER. We wanted to give the State freedom of action in that regard. There is some sentiment for doing it all nationally, however.

Senator GERRY. As I understand, the Senator's attitude of turning as much of this over to the States to administer as possible, is on the theory that the State, being so close to the situation, would understand their local situation better and would give better administration.

Senator WAGNER. There is another reason, Senator. We are exploring a new field, and I think it much better to have the 48 States as laboratories for the testing of different systems, just as in workmen's compensation laws. Out of these tests will emerge one system superior to the others, which all the States will adopt.

Senator GERRY. As I understand the Senator's theory, then, he is going on the sound principle that the nearer you can get it to the local community to administer the more efficient that administration should be.

Senator WAGNER. Yes.

Senator HASTINGS. Then I wanted to inquire why that same rule does not apply to the old-age pension plan and the annuity system.

Senator WAGNER. That is an entirely different proposition, of course. That takes in every workman in the country. It can easily be made unified without any difficulty.

Senator HASTINGS. Isn't it a fact that it affects every person and that is all the more reason why you should not divide this great job of collecting the tax and administering this law, by keeping all these records, this savings fund record of every individual, is not that all the more reason why that should not be left to the States also?

Senator WAGNER. No; it is not any reason at all. Are you in sympathy with old-age pensions, or an old-age insurance system?

Senator HASTINGS. It would not make any difference in your answers, would it, to me?

Senator WAGNER. No; but I would understand your questions better. You remember the income tax. The same argument was used: "My heavens, what a tremendous machinery you are going to set up to collect the income tax, therefore we should have no income tax." That sort of argument does not appeal to me, if the objective is a worthy one, and a necessary one.

The CHAIRMAN. Senator Wagner, I want to ask a question. There has just been handed to me a copy of today's Washington Daily News in which there is an article written by Mr. Robert Horton, in which article, in large letters it says, "F. D. wants changes in social security bill." It reads:

President Roosevelt himself demands several major changes in the economic security bill, before Congress, it was reported today. Senate Republicans opened fire on the measure.

It was said that he would not sign the bill as it stands, though it was introduced as an administration measure.

I wanted to ask you if you have any knowledge of any such movement upon the part of the President.

Senator WAGNER. I have not.

The CHAIRMAN. I might say that you have been very close, with reference to the drafting of this legislation——

Senator WAGNER. Yes.

The CHAIRMAN. And, I might say, too, that so far as I know, I have never heard of any such proposition as that.

Go ahead, Senator Black.

Senator BLACK. Senator, I wanted to clarify my mind as to one statement you made in reference to the old-age pension insurance. I want to ask one or two questions about the method of getting the money. I wanted to be absolutely sure. As I understand it, under the unemployment insurance, the State, whether it wants to do so or not, even if it desired to raise this money by income taxes and inheritance taxes, would be compelled to have a tax raised in that State in the method set out in this bill?

Senator WAGNER. The Federal Government raises that tax.

Senator BLACK. Yes; but the State has no way of relieving itself of that particular tax?

Senator WAGNER. No; except that the employer is given credit for any sum which he contributes into a fund.

Senator BLACK. So even if a State desired, in an effort to try to correct the maldistribution of income, as you have set out, even if it desires to do so by an increased inheritance tax and an increased income tax, it would be compelled to accept this method of raising the money to the extent as is set out in the bill?

Senator WAGNER. You mean that the fund used as unemployment insurance shall be supplied by the imposition of a tax by the State on all the people?

Senator BLACK. As I understand it, it is supposed in this bill to impose a 3-percent tax on the employer.

Senator WAGNER. Yes.

Senator BLACK. And so much on the employee.

Senator WAGNER. The theory, Senator, is that either the employer, or employer and employee, or the employer, employee, and the State, may contribute into the State fund.

Senator BLACK. Yes.

Senator WAGNER. Depending upon the decision of the State.

Senator BLACK. Yes.

Senator WAGNER. The 3 percent may not be sufficient for an adequate State fund.

Senator BLACK. Yes; I understand that. I want to be absolutely clear. It is my understanding of the bill that there is no provision for Federal aid as Federal aid, out of the Federal Treasury, by reason of Federal tax-raised money, except as it is included in the money which is raised by this 3 percent tax.

Senator WAGNER. No; there isn't. You see, we keep 10 percent of that, and 98 percent of that 10 percent we are giving back to the States for the administration of their unemployment-insurance laws.

Senator BLACK. I want to get clear on each one of these points as we go along?

Senator WAGNER. Yes.

Senator BLACK. That unemployment insurance does not provide for Federal aid as we understand the term "Federal aid" in laws heretofore enacted?

Senator WAGNER. Except for administration costs.

Senator BLACK. Yes. And that is limited to the 10 percent of the fund raised by the 3 percent of the tax.

Senator WAGNER. That is right.

Senator BLACK. So that insofar as the effect upon the maladjustment of incomes is concerned, the unemployment insurance cannot be said to touch it, can it?

Senator WAGNER. Unless you say that requiring the employers alone to contribute into the fund may effect the distribution. Of course, I have other ideas to effect the matter of distribution.

Senator BLACK. Yes; I understand.

Senator WAGNER. I am coming along with my labor dispute bill.

Senator BLACK. Yes. Let us talk now about unemployment insurance. Say that we have a system in which the money was wholly raised, so far as the Federal Government is concerned, by taxing the employers. Now, is there any difference that you can see, insofar as the ultimate effect of that tax is concerned, between that kind of tax and a manufacturers' sales tax, as to who eventually pays it?

Senator WAGNER. Oh, yes; a very vast difference.

Senator BLACK. Would not it necessarily enter into the price of the article?

Senator WAGNER. It may, but some of it will have to be absorbed by the employer. Besides, if workers are in a position to demand their fair share of the profits of industry, they will adjust that figure.

Senator BLACK. I fully agree with that, but I want to go further on some other line.

Senator WAGNER. I think we are going to do that.

Senator BLACK. As I see it, I could not see where there was any difference between the manufacturers' sales tax that imposes a tax on the manufacturer and the tax that is placed on the employer through the enactment of this bill, which also imposes a tax on the manufacturer.

Senator WAGNER. That has not been the experience of other countries, Senator.

Senator WALSH. Isn't the employer's tax simply a tax on his pay roll?

Senator WAGNER. Yes.

Senator WALSH. While the sales tax is a tax upon the finished product including the cost of the raw material, the cost of production.

Senator BLACK. It has the ultimate effect of increasing the cost to the ultimate consumer.

Senator WAGNER. It is not a significant factor, as that small tax upon the pay rolls is a very small part of the cost of production.

Senator BLACK. So if we favor the idea of a Federal subsidy, believing that it is necessary by reason of the concentration of the products of labor and capital, and favor the idea of having this more uniformly raised throughout the country, it would be necessary to change the bill, would it not?

Senator WAGNER. Yes.

Senator BLACK. Insofar as a direct Federal subsidy is concerned, from the Federal Treasury.

Senator WAGNER. Yes.

Senator BLACK. Now, may I ask with reference to the old-age pensions. As I understand it, it is ultimately intended that in the main that fund shall likewise be raised by contributions from the employer and the employee?

Senator WAGNER. Ultimately, but probably until 1980, and beginning with 1965, the Federal Government will begin to make a contribution to that fund, for the reason that from now until then the older or middle-aged workers who join that fund will get more than an earned annuity. It is only fair that those men in middle age should not suffer because they have been neglected so long. It is estimated that those who begin payments in 1957 will get only what their annuity will amount to. But for a period of time the Government makes a very substantial contribution.

Senator BLACK. It is \$125,000,000 the second year.

Senator WAGNER. No, no; we are talking about different things now.

Senator BLACK. Old-age pensions we are talking about now.

Senator WAGNER. You are talking about the matching proposition. I thought you were talking about the compulsory proposition.

Senator BLACK. Yes.

Senator WAGNER. We have two plans. We have the old-age pension, which is to take care of those who have now reached the age of 65, or who will within the next 5 years reach the age of 65, and who are destitute. In those cases we aid the States by matching them up to \$15. Then we have a compulsory contributory insurance system by which the worker and the employer contribute a certain percentage into a fund, and all those who are below 60 in 1937 may join. Now, if those who are 59 in 1937 join they retire in 1943, and the amount of their contribution would give them practically nothing, maybe a dollar or two dollars a month. In order to make up the difference between what such workers receive and what they contribute, the Federal Government contributes. But the Federal Government does not begin to contribute at once, because the younger people for a period of time will pay in enough to take care of the pensioners as they arrive at the age of 65. But the time will come when the Federal Government will give very substantial sums, over a billion dollars for some years.

Senator WALSH. Per year?

Senator WAGNER. Per year.

Senator WALSH. I heard it stated that the sum that will have to be finally accumulated to pay the annuities in 1957 will amount to \$55,000,000 a year.

Senator WAGNER. It may amount to that, but that is not, it seems to me, the important thing.

Senator WALSH. It is important for us to know what the investment is going to be. It is important to know how that fund is going to be invested.

Senator WAGNER. The Federal Government, through the Secretary of the Treasury, has control and management over that.

Senator WALSH. I mean whether or not our Government bonds will have securities enough, whether there will be securities enough in the country to protect a fund of that size. That is important.

Senator WAGNER. We do not make any contributions until about 1965. This also is a question for the committee to decide, whether you want to take care of the people in middle age who have had no chance yet to care for themselves. We have got to take care of them one way or another. If you do not take care of them out of this fund, you are going to have to take care of them under the other system.

Senator BLACK. May I ask you something that I wanted to ask you a while ago? In regards to the \$15 you said it is the intention, although it has been pointed out if all the pensioners should be placed on the list, matching the amount, it is your understanding that this bill—

Senator WAGNER. Mind you, we are talking about people that have reached the age of 65, or who will, within the next 4 years, reach the age of 65. We are talking about no one else.

Senator BLACK. Yes.

Senator WAGNER. There is a surprisingly large number of those, over three and a half million, in the United States, who are absolutely destitute, and some of whom have dependents.

Senator BLACK. What I want to know is, this \$50,000,000 contribution from the Government, is it your idea that if this appropriation which is made is not sufficient for the Federal Government to match it 50-50, that the appropriation shall be made sufficient to match it 50-50?

Senator WAGNER. Absolutely.

Senator BLACK. So that irrespective of the question that Senator Hastings asked, the bill which is contemplated, and the plan contemplates that the States that award this pension shall have allotted to them \$15 to aid them in paying it?

Senator WAGNER. Exactly. And, Senator, up to the present time there has been such a laxity on the part of the States that today they spend only \$40,000,000 per year for that purpose. As I pointed out, some of the States give only \$9 per person, and some give nothing. You know that there are only 28 States that have any kind of pension laws, and they are inadequate.

Senator BLACK. In order to give them the proper incentive, of course, it is necessary for them to know that they will have their funds matched to the extent of something.

Senator WAGNER. I think Congress will respond to the extent that the State makes provision for these old people. I am sure that for these people the Federal Government will match the contributions that the States make.

Senator BLACK. Now, on the second part of the plan, with reference to the old-age contributory system, is it contemplated, when this goes into effect, the contribution shall make the total payment or that the Federal Government, through its tax-raising ability, shall grant a subsidy to aid in it?

Senator WAGNER. That is what I tried to explain. That does not come right away, but it will have to come eventually. While the Government assumes the obligation each year to make up the difference between what the older men get and what they have paid in, the Government will begin paying into the fund only when necessary to maintain its reserves. That will be about in 1965.

Senator BLACK. And I think you said in 1980 it will reach \$1,800,000,000.

Senator WAGNER. Yes.

Senator BLACK. And eventually it will be between 3 and 4 billion, and that will be in the nature of a Federal subsidy.

Senator WAGNER. Absolutely, or contribution. If you want to say subsidy, it is all right, but I prefer the word "contribution."

Senator BLACK. Either one. That is insofar as old-age pensions are concerned, as distinguished from unemployment insurance. This is on the old-age pension plan, which contemplates Government assistance.

Senator WAGNER. That is so, but there is coming a time when the Government will not need to make any contributions to the old-age fund. Those who join the system after 1957 will earn the annuity that they secure.

Senator BLACK. Then so far as that is concerned, if one believes in the principle that those who earn what is called a "surplus" income, more than enough to buy the consumable goods which are essential for reasonably comfortable circumstances, that the only way to raise that would be by some other method other than the 3 percent of the employers, the contribution from the employers and employees, would it not?

Senator WAGNER. The 3 percent for unemployment insurance?

Senator BLACK. I am speaking of both of them, as far as both of them are concerned, as far as the tax-raising feature is concerned. That is one of the vital features in the bill.

Senator WAGNER. Senator, may I say this: There is nothing to prevent the States, in order to have more liberal periods of payment for unemployment, to make a contribution itself?

Senator BLACK. That is true.

Senator WAGNER. England does, and so does Germany.

Senator BLACK. Of course, we are familiar with the fact that in our economic system it is not always necessarily the locality that produces the most wealth that is the most wealthy. It may be produced in cities in some States, like some of them in the State of Arizona, and some of them are not exceedingly wealthy.

Senator WAGNER. Yes.

Senator BLACK. So if we apply a uniform taxation system upon the wealth that is produced, it is not possible for us to recognize the county lines or the State lines, so far as fair and uniform taxation is concerned for the Nation.

Senator WAGNER. Yes; well, we do not recognize them, you know, in our power to tax.

Senator BLACK. If we adopt an unemployment-insurance system that limits each State to the terms within its own State that would ignore the theory, if it be a theory, and I think it is a fact, that it is not always the State that produces the most that has the most ability to pay.

Senator WAGNER. Of course, I have a different method of securing the distribution, a better distribution of wealth.

Senator BLACK. I am with you on the other, too.

Senator WAGNER. Yes.

Senator BLACK. At the same time there can come this feeling of paying everything to the local communities, or attempting to impose more on the local communities than they can bear, and that must be met with the economic fact that it is not always the local community, the local community does not always have the ability to bear it, even though the people may work harder.

Senator WAGNER. I do not think we have reached the point where we can say that unemployment insurance should follow the same standard in every section of the country.

Senator BLACK. I agree with that.

Senator WALSH. In other words, all the wealth in the world is not created by the people in New York.

Senator BLACK. That is correct. That same thing might be true in many localities.

Senator WALSH. Probably Alabama is producing some of the wealth of New York.

Senator BLACK. Or some of it might come from Massachusetts.

Senator WAGNER. I am used to that sort of thing. We make our contribution. Our State stands as high, if not higher, than any other State in the Union, so far as social welfare and protective legislation is concerned.

Senator BLACK. I think the Senator is absolutely correct.

Senator HASTINGS. Senator Wagner, there is one provision in here as I recollect it, which provides that this tax paid by the wage earner, accumulated with interest maybe over years and before he reaches 65, if he dies, shall be returned to his estate.

Senator WAGNER. To his dependents.

Senator HASTINGS. It is not true, is it, that it depends upon whether he has dependents? It goes to his estate.

ECONOMIC SECURITY ACT

HEARINGS

BEFORE

THE COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-FOURTH CONGRESS

FIRST SESSION

ON

S. 1130

A BILL TO ALLEVIATE THE HAZARDS OF OLD AGE,
UNEMPLOYMENT, ILLNESS, AND DEPENDENCY,
TO ESTABLISH A SOCIAL INSURANCE BOARD
IN THE DEPARTMENT OF LABOR, TO
RAISE REVENUE, AND FOR
OTHER PURPOSES

PART 2

JANUARY 23, 24, AND 25, 1935



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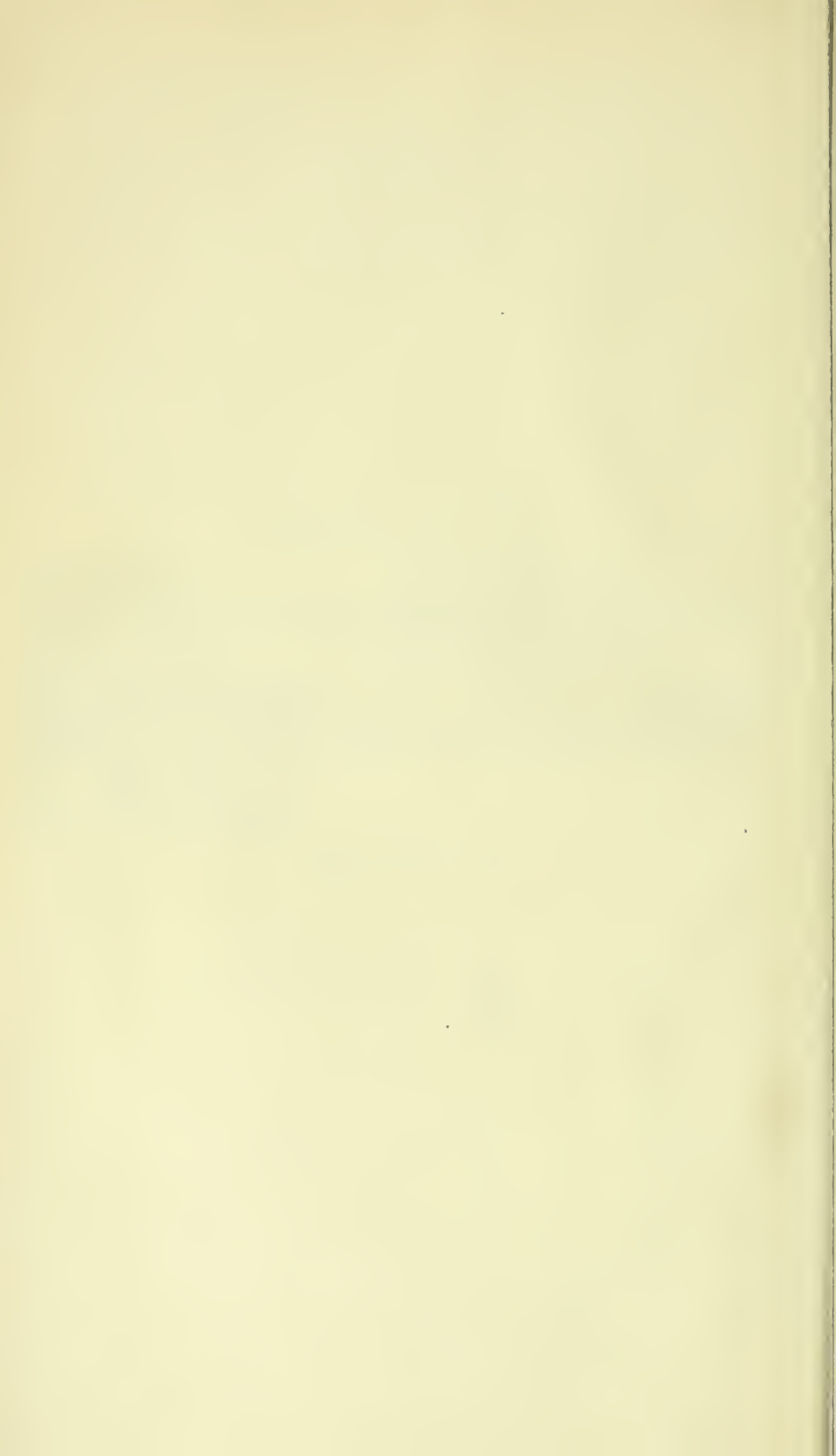
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II

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ECONOMIC SECURITY ACT

WEDNESDAY, JANUARY 23, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to adjournment, at 10 a. m., in the Finance Committee Room, Senate Office Building, Senator Pat Harrison, Chairman, presiding.

Present: Senators Harrison (chairman), King, Barkley, Connally, Gore, Costigan, Byrd, Lonergan, Black, Gerry, Guffey, Keyes, La Follette, Metcalf, Hastings, and Capper.

The CHAIRMAN. The committee will be in order.

Mr. Witte, will you please give your name in full so that the record will show it, and also something of your background, so that the committee will know what it is.

STATEMENT OF EDWIN E. WITTE

Mr. WITTE. I am the executive director of the Committee for Economic Security. My background in short is this: After completing college—I am a Wisconsin man—I was secretary to a Member of Congress for 2 years during the first part of the Wilson administration. Then I was a special agent for the United States Commission on Industrial Relations, in 1914 and 1915; then secretary of the Industrial Commission of Wisconsin for 6 years. From 1922 to 1933 I was chief of the Legislative Reference Service of the State of Wisconsin. I have been connected also with the University of Wisconsin since 1920.

Immediately before coming down here I was director under the unemployment compensation act of Wisconsin, the first unemployment compensation act in this country.

I have been with the committee since its organization in the summer, and I am, as stated, its executive director.

The CHAIRMAN. And you were consulted in the drafting of this legislation?

Mr. WITTE. Certainly.

The CHAIRMAN. You know the inside of it pretty well and were in all of the conferences that led up to it?

Mr. WITTE. Yes, sir.

The CHAIRMAN. I wish you would take the bill and in your own way make an explanation of it, Mr. Witte. I may say, for the benefit of the committee, that Miss Perkins was scheduled to be here this morning, but she did not quite finish her testimony before the House Ways and Means Committee. She will not be there long this morning

and will be here presently, and when Miss Perkins comes we will ask Mr. Witte to desist and the committee will hear Miss Perkins.

You may proceed in your own way, Mr. Witte.

Mr. WITTE. This bill, as undoubtedly has been explained to you, is the outgrowth of the President's message of June 8, and as stated in the President's message transmitting the report of the Committee on Economic Security the bill concerns itself with four major subjects: unemployment compensation, old-age security, security for children, and provisions for the extension of public-health services. On a fifth subject in which the Committee has been interested, health insurance, it at this time makes no report. It will probably make a supplemental report at a later date. It is engaged in that study in cooperation with committees from the medical and related professions.

This bill is concerned with economic security, but does not represent all of the administration's program on economic security, but should be regarded as a companion measure to the public-works resolution now pending in the House. The Committee on Economic Security in its recommendations places first the matter of employment assurance, stressing that the most important safeguard against the major hazard lies in the stimulation of private employment and the provision of public employment when private employment is not available; in other words, the work program is a part of the economic security program. This bill deals with parts of the economic security program other than the work program.

By way of introduction, I would like to say, further, that the purpose of our committee is to be helpful to you. Our thought is to present the problem to you and the conclusions we have reached, not as necessarily final conclusions, but to explain why we reached these conclusions and to discuss other possible alternatives. Our sole motive is to give you the entire picture, and we will be glad to assist in any way and in any manner that we can.

With that, I want to pass to the first subject dealt with in the bill, which is old-age security. Old-age security is dealt with in title I, also in title III, title IV, and title V, but before going into the detailed provisions of the bill, I would like to present the factual background of this proposed legislation. There are at this time somewhere in excess of 7,000,000 people over 65 years of age, the last census disclosed 6,600,000. This is 5 years later, and the number is now well in excess of 7,000,000. There are over 4,000,000 over 70 years of age. There are an estimated 11,500,000 people over 60 years of age.

Senator CONNALLY. Are you speaking now of both sexes?

Mr. WITTE. Both sexes. There are slightly more women than men.

Senator GERRY. How many of those do you figure are unemployed?

Mr. WITTE. We have tables on that. "Gainfully occupied", as this term is used in the census, is the nearest data we can give you. Of those who were 60 and over in 1930, 4,100,000 were gainfully occupied. The majority, the largest number of them were farmers, and 1,000,000 were reported in manufacturing industries. "Gainfully occupied" does not mean employed. It means both the employees, the self-employed, and the proprietors.

Senator GERRY. That is, over 60?

Mr. WITTE. Over 60. Over 65, 2,200,000 were still gainfully occupied. Over 70, not quite 1,000,000.

Senator GERRY. Then you have not any figures as to how many over 65 were unemployed?

Mr. WITTE. Unemployed?

Senator GERRY. Yes; unemployed or unable to earn a living or receiving aid.

Mr. WITTE. Yes; I have that. I will come to that in a moment, Senator, if I may.

Senator COSTIGAN. Are the figures you have used derived from the census?

Mr. WITTE. Yes; that is, gainfully occupied. I thought that is what the question related to.

The CHAIRMAN. What do you mean by "gainfully occupied"?

Mr. WITTE. That is a census classification. It means people who are working for a financial return, the people that work for themselves or for others. It includes farmers, all the business men, the professional people—everybody who works for a monetary consideration. It does not include the housewives.

Senator CONNALLY. As of what date would that be?

Mr. WITTE. The census of 1930.

Senator CONNALLY. Are those figures reliable as of this date?

Mr. WITTE. I think approximately so. The term "gainfully occupied" has no reference to whether they were actually working at that time. This is the question which the census taker asks, "What are you doing?", and a man who was not working at that time still answered, "I am a machinist", and he was put down as "gainfully occupied", or he answered, "I am a carpenter", although he might have been out of work. "Gainfully occupied" includes all of the people who thought of themselves as still being in the employment picture.

In that connection, Mr. Chairman, and members of the Committee, I would like to submit—

Senator GORE (interposing). Those who regard themselves as employed, whether they were employed or not—that sort of a picture does not seem to be related to reality, does it?

Mr. WITTE. It is the best picture we have of how many farmers there are, for instance, how many carpenters there are in this country, and so forth.

The CHAIRMAN. Have you other data there showing the unemployed over the age of 65?

Mr. WITTE. I can get you that data on unemployed. I have data showing the number of people that were on relief over 65, in need of support at this time.

The CHAIRMAN. To clarify it in my own mind, you said there were how many in this country over 65 years of age?

Mr. WITTE. Over 7,000,000.

The CHAIRMAN. And that in the census of 1930, which showed that there were somewhat more than 4,000,000 who were gainfully occupied?

Mr. WITTE. Yes.

The CHAIRMAN. That would show there were 3,000,000 that were not gainfully occupied?

Mr. WITTE. Yes. At that age.

Senator GORE. I thought you said a little over 2,000,000 gainfully occupied, over 65?

Mr. WITTE. Yes. I wish to correct myself on that point. Among those over 60, there were 4,000,000 that were gainfully occupied.

The CHAIRMAN. Let us get the figures for those at 65.

Mr. WITTE. At 65 there are over 7,000,000 people at the present time, and according to the census of 1930 there were 2,200,000 who were still "gainfully occupied."

Senator GUFFEY. How many over 65 are on the relief rolls?

Mr. WITTE. Approximately 700,000 at this stage.

Senator CONNALLY. Would that classification include people over 65 who are not occupied at all but who do have an income from previous occupations?

Mr. WITTE. No. It is this question of "What is your occupation?" which the census taker asks everybody.

Senator BLACK. As a matter of fact, we have not now and never have had thoroughly reliable statistics on those employed and those unemployed, have we?

Mr. WITTE. No, sir.

Senator COSTIGAN. Or of those who are employed part time?

Mr. WITTE. No, sir.

Senator COSTIGAN. The figures you have given are the nearest and latest approach to any information which we have on that subject?

Mr. WITTE. On the subject of how many people were "gainfully occupied", using that census term.

Senator BLACK. Is the committee making any recommendations to attempt to obtain information which is authentic and reliable?

Mr. WITTE. Unemployment compensation will give statistics for the first time on the extent of unemployment. We have never attempted except in the census of 1930, to measure unemployment directly. We have measured only employment. We have had reports to the United States Bureau of Labor Statistics on a voluntary basis by a large number of employers, from which the Bureau of Labor Statistics for many years has made estimates of the number of people that were at work, but as to the reverse, the number of people out of work, we have no national statistics at the present time.

Senator GERRY. Then you are basing your estimates now on 700,000 that are unemployed over 65 years of age, is that right?

Mr. WITTE. Not unemployed.

Senator GERRY. On relief?

Mr. WITTE. I want to go into the relief figures if I may, in a moment. Mr. Chairman, I would like to submit if I may, this supplement to the report of the committee on economic security which contains 19 factual tables presenting the facts on which this report is based, statistical information, which I would like to submit if it pleases the committee as a supplement to my testimony.

The CHAIRMAN. Yes; you may.

Senator HASTINGS. Is that in print?

Mr. WITTE. Yes, sir; it is appearing in print. These are advance copies. I think we can distribute copies before the morning is over, to all of you.

The CHAIRMAN. This is not a document which has been printed by Congress?

Mr. WITTE. No.

The CHAIRMAN. It is gotten out by some bureau?

Mr. WITTE. It is gotten out by us. It consists of statistical tables that will give you the facts on the problems dealt with in this bill, including what laws are in operation elsewhere, and an analysis of the laws.

Senator GERRY. In order to make it easier of reference, will you put the name of the bureau into the record?

Mr. WITTE. It is from the Committee on Economic Security, and it is a supplement to its report.

Senator HASTINGS. May I see it if you do not need it in your testimony?

Mr. WITTE. Certainly you may, Senator.

The CHAIRMAN. You have other copies which will be available?

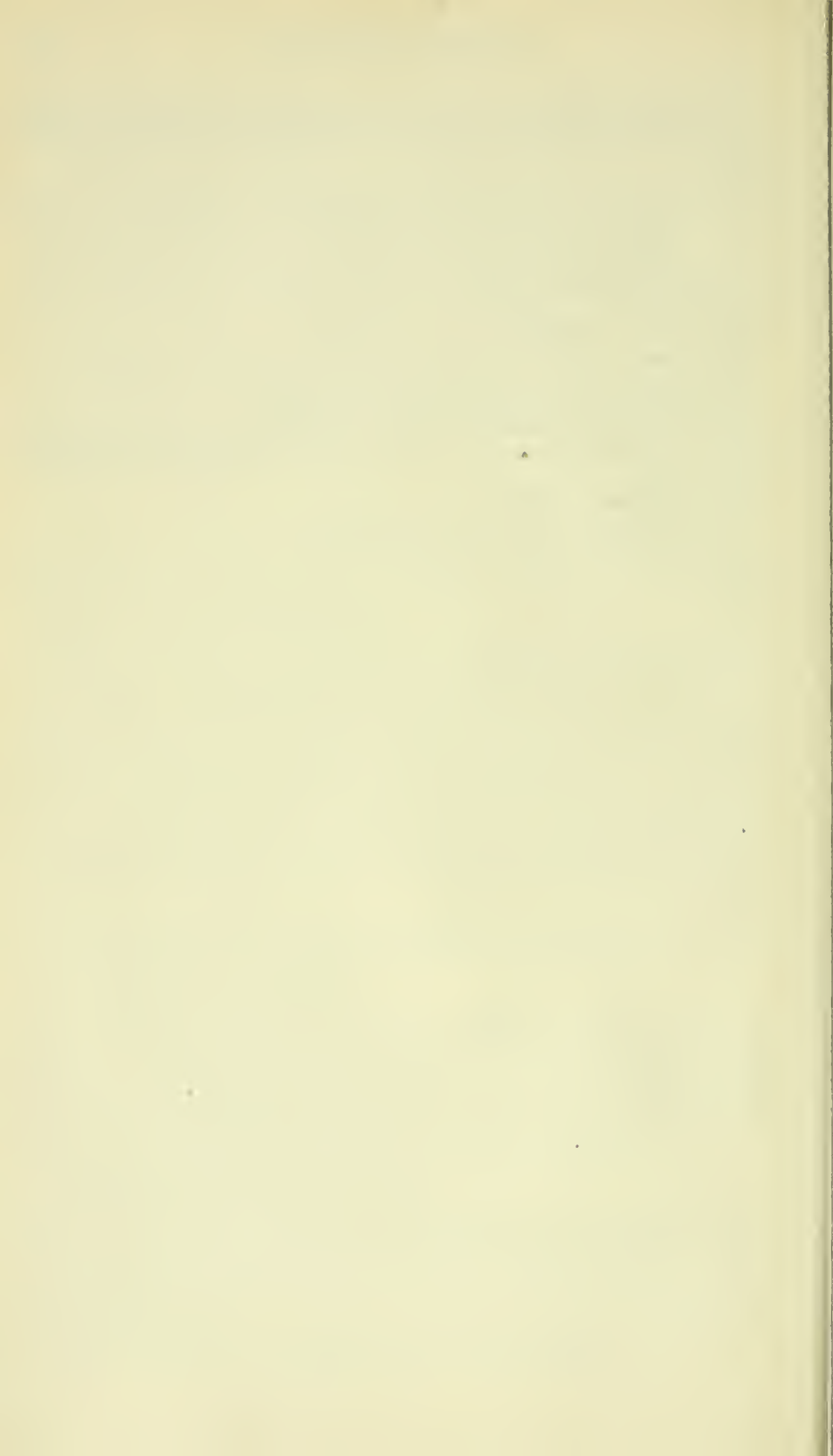
Mr. WITTE. Yes.

The CHAIRMAN. When will they be available?

Mr. WITTE. They will be here, I think, in a very few minutes. This is an advance copy which I have just received from the Printing Office.

The CHAIRMAN. Very well.

(The document referred to is as follows:)



SUPPLEMENT TO
REPORT TO THE PRESIDENT
OF THE
COMMITTEE ON ECONOMIC SECURITY



TABLES

[Table 1 printed in Report proper]

A. UNEMPLOYMENT RELIEF:

2. Families and persons receiving emergency relief, continental United States.
3. Cases receiving emergency relief, direct work, special programs.
4. Obligations incurred for emergency relief from all public funds, by source of funds, January 1933 through November 1934, by months and by quarters.

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C. AGE DISTRIBUTION AND OLD-AGE PENSION LAWS:

11. Number of older persons gainfully occupied by age and occupation for United States, 1930.
12. Age distribution of United States population by urban and rural for 1920 and 1930.
13. Actual and estimated number of persons aged 65 and over compared to total population, 1860 to 2000.
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16. Old-age insurance and pension legislation in foreign countries through 1933.
17. Principal provisions of foreign noncontributory old-age pension laws through 1933.

D. SECURITY FOR CHILDREN:

18. Estimated number of families and children receiving mothers' aid and estimated expenditures for this purpose.
19. Funds for State maternal and child health work.

E. MISCELLANEOUS:

20. General economic statistics.

TABLE 2.—*Families and persons receiving emergency relief, continental United States*

Months	Resident families and persons receiving relief under the general relief and special programs					Number of trans- ients receiving relief ²
	Families	Single persons	Total families and single persons	Total persons	Percent of total popula- tion ¹	
1933						
January.....	³ 3,850,000	(4)	(4)	(4)	(4)	(4)
February.....	³ 4,140,000	(4)	(4)	(4)	(4)	(4)
March.....	³ 4,560,000	(4)	(4)	(4)	(4)	(4)
April.....	4,475,322	(4)	(4)	(4)	(4)	(4)
May.....	4,252,443	(4)	(4)	(4)	(4)	(4)
June.....	3,789,026	(4)	(4)	(4)	(4)	(4)
July.....	3,451,874	³ 455,000	3,906,874	³ 15,282,000	12	(4)
August.....	3,351,810	³ 412,000	3,763,810	³ 15,077,000	12	(4)
September.....	2,984,975	³ 403,000	3,387,975	³ 13,338,000	11	(4)
October.....	3,010,516	³ 436,000	3,446,516	³ 13,618,000	11	(4)
November.....	3,365,114	461,315	3,826,429	15,080,465	12	(4)
December.....	2,631,020	438,431	3,069,451	11,664,860	10	(4)
1934						
January.....	2,486,274	456,469	2,942,743	11,086,598	9	(4)
February.....	2,599,975	532,036	3,132,011	11,627,415	9	126,873
March.....	3,070,855	563,138	3,633,993	13,494,282	11	145,119
April.....	3,847,235	590,007	4,437,242	16,840,389	14	164,244
May.....	3,815,926	617,735	4,433,661	17,228,458	14	174,138
June.....	3,757,971	559,502	4,317,473	16,833,294	14	187,282
July.....	3,867,047	542,362	4,409,409	17,301,734	14	195,051
August.....	4,059,605	569,877	4,629,482	18,187,193	15	200,173
September.....	4,096,725	656,215	4,752,940	18,410,334	15	221,734
October.....	⁵ 4,106,681	720,853	⁵ 4,827,534	⁵ 18,450,567	15	235,758
November ⁶	4,225,000	750,000	4,975,000	18,900,000	15	266,000

¹ Based on 1930 Census of Population.² Middle of month figures, excluding local homeless which are included under general relief program.³ Partially estimated.⁴ Not available.⁵ Partially estimated to cover the rural rehabilitation program on which reports are not yet complete.⁶ Preliminary.

Source: Division of Research, Statistics, and Finance, Federal Emergency Relief Administration.

TABLE 3.—*Cases ¹ receiving emergency relief—direct, work, special programs*

1934	Grand total	General relief			Special programs ²
		Total	Work programs	Direct relief only	
April.....	4,437,242	4,437,242	1,176,818	3,260,424	(3)
May.....	4,433,661	4,320,187	1,343,214	2,976,973	113,474
June.....	4,317,473	4,237,425	1,477,753	2,759,672	80,048
July.....	4,409,409	4,368,195	1,723,295	2,644,900	41,214
August.....	4,629,482	4,582,434	1,922,029	2,660,405	47,048
September.....	4,752,940	4,619,496	1,950,728	2,668,768	133,444
October.....	4,827,534	4,654,402	1,998,167	2,656,235	173,132
November ⁴	4,975,000	4,785,000	2,150,000	2,635,000	190,000

¹ Cases include each family or single person on relief, not counting transient single persons.² Rural rehabilitation program, emergency education program, student aid; excludes transients.³ Cases aided under special programs in April were included in the general relief program.⁴ Preliminary.

Source: Division of Research, Statistics, and Finance, Federal Emergency Relief Administration.

TABLE 4.—*Obligations incurred for emergency relief from all public funds by source of funds, January 1933 through November 1934, by months and by quarters*¹

	Obligations incurred for emergency relief						
	Total	Federal funds		State funds		Local funds	
		Amount	Per-cent	Amount	Per-cent	Amount	Per-cent
1933							
January.....	\$60,827,160.86	\$31,175,001.46	51.3	\$8,898,288.71	14.6	\$20,753,870.69	34.1
February.....	67,375,423.32	39,850,235.88	59.1	5,921,376.42	8.8	21,603,811.02	32.1
March.....	81,205,631.61	51,355,220.07	63.2	5,212,394.33	6.4	24,638,017.21	30.4
First quarter.....	209,408,215.79	122,380,457.41	58.4	20,032,059.46	9.6	66,995,698.92	32.0
April.....	73,010,800.68	45,373,968.80	62.1	8,182,877.70	11.2	19,453,954.18	26.7
May.....	70,806,338.08	48,803,456.80	68.9	5,017,248.11	7.1	16,985,633.17	24.0
June.....	66,339,206.68	42,523,714.87	64.1	8,038,872.89	12.1	15,776,618.92	23.8
Second quarter.....	210,156,345.44	136,701,140.47	65.0	21,238,998.70	10.1	52,216,206.27	24.9
July.....	60,155,873.87	37,482,328.17	62.3	7,576,554.71	12.6	15,096,990.99	25.1
August.....	61,470,496.37	39,781,831.27	64.7	8,726,266.40	14.2	12,962,398.70	21.1
September.....	59,346,338.14	36,289,188.33	61.1	11,093,954.69	18.7	11,963,195.12	20.2
Third quarter.....	180,972,708.38	113,553,347.77	62.8	27,396,775.80	15.1	40,022,584.81	22.1
October.....	64,888,913.42	40,415,353.15	62.3	10,186,795.50	15.7	14,286,764.77	22.0
November.....	70,810,514.27	39,796,429.13	56.2	18,633,766.17	26.3	12,380,318.97	17.5
December.....	56,526,330.37	27,755,055.43	49.1	18,768,833.14	33.2	10,002,441.80	17.7
Fourth quarter.....	192,225,758.06	107,966,837.71	56.2	47,589,394.81	24.7	36,669,525.54	19.1
Total, 1933.....	792,763,027.67	480,601,783.36	60.6	116,257,228.77	14.7	195,904,015.54	24.7
1934							
January.....	53,880,834.01	29,065,736.51	54.0	16,124,460.00	29.9	8,690,637.50	16.1
February.....	57,068,212.60	26,462,858.11	45.9	21,832,729.56	37.9	9,372,624.93	16.2
March.....	69,794,802.92	32,522,395.84	46.6	25,615,747.44	36.7	11,656,659.64	16.7
First quarter.....	181,343,849.53	88,050,990.46	48.5	63,572,937.00	35.1	29,719,922.07	16.4
April.....	113,134,286.74	82,299,551.45	72.7	17,642,023.89	15.6	13,192,711.40	11.7
May ¹	129,222,770.62	96,741,145.12	74.9	12,647,639.02	9.8	19,833,986.48	15.3
June ¹	125,198,649.88	92,084,137.06	73.6	11,777,402.31	9.4	21,337,110.51	17.0
Second quarter ²	367,555,707.24	271,124,833.63	73.8	42,067,065.22	11.4	54,363,808.39	14.8
July ¹	130,953,215.11	95,146,288.68	72.6	13,061,941.23	10.0	22,744,985.20	17.4
August ¹	149,424,555.07	113,308,571.80	75.8	12,226,882.75	8.2	23,889,100.52	16.0
September ¹	143,227,846.44	108,559,186.27	75.8	11,406,614.12	8.0	23,262,046.05	16.2
Third quarter ²	423,605,616.62	317,014,046.75	74.8	36,695,438.10	8.7	69,896,131.77	16.5
October ¹	156,747,867.63	121,949,841.00	77.8	13,950,560.23	8.9	20,847,466.40	13.3
November ¹	172,750,000.00	139,430,000.00	80.7	10,670,000.00	6.2	22,650,000.00	13.1
Total, 1934 ¹	1,302,003,041.02	937,569,711.84	72.0	166,956,000.55	12.8	197,477,328.63	15.2
Total, 23 months ²	2,094,766,068.69	1,418,171,495.20	67.7	283,213,229.32	13.5	393,381,344.17	18.8

¹ Includes obligations incurred for relief extended under the general relief program, under all special programs, and for administration; beginning April 1934 these figures also include purchases of materials, supplies, and equipment, rentals of equipment (such as team and truck hire), earnings of nonrelief persons employed, and other expense incident to the work program. Does not include about \$990,000,000 expended for the C. W. A., of which \$849,000,000 was derived from Federal funds and \$150,000,000 from State and local funds.

² Break-down partially estimated.

³ Preliminary.

Source: Division of Research, Statistics, and Finance, Federal Emergency Relief Administration, Jan. 7, 1935. Table based on reports from State and local relief administrations.

TABLE 5.—*Estimate of unemployment in employments which are customarily covered by unemployment-insurance plans*

Year:	Estimated percent of unemployment	Year—Continued.	Estimated percent of unemployment
1922-----	13. 1	1928-----	8. 5
1923-----	7. 3	1929-----	6. 1
1924-----	9. 4	1930-----	15. 3
1925-----	7. 8	1931-----	26. 6
1926-----	7. 4	1932-----	39. 0
1927-----	8. 3	1933-----	39. 2

Source: Estimates of the Committee on Economic Security. It should be noted that these unemployment rates are indicative only of the unemployment occurring in the group of gainful workers which are customarily covered by unemployment-insurance plans, and that they do not represent the unemployment for the entire working population. These rates are higher than those for all gainful workers, because the incidence of unemployment borne by the group covered is greater than for the working population as a whole.

TABLE 6.—States arrayed by average percentage of nonagricultural unemployment—April 1930; 1933 average; and 1930-33 average

April 1930			1933 average			1930-33 average		
State	Percent of gainful workers unemployed	Ratio to average of all States	State	Percent of gainful workers unemployed	Ratio to average of all States	State	Percent of gainful workers unemployed	Ratio to average of all States
All States	8.5	Percent 100.0	All States	33.2	Percent 100.0	All States	25.8	Percent 100.0
1. Michigan	13.9	163.5	Michigan	45.9	138.3	Michigan	34.3	132.9
2. Rhode Island	11.2	131.8	Pennsylvania	40.2	121.1	Rhode Island	29.6	114.7
3. Montana	10.7	125.9	Arkansas	39.2	118.1	New Jersey	28.8	111.6
4. Illinois	10.3	121.2	New Jersey	38.8	116.9	Montana	28.4	110.1
5. Oregon	10.1	118.8	Arizona	38.6	116.3	Pennsylvania	28.3	109.7
6. Nevada	9.8	115.3	New Mexico	38.3	115.4	Illinois	28.0	108.5
7. Ohio	9.5	111.8	New York	38.1	114.8	New York	27.8	107.9
8. Massachusetts	9.4	110.6	Rhode Island	36.6	110.2	Nevada	27.8	107.9
9. Pennsylvania	9.0	105.9	Florida	36.6	110.2	Arizona	27.7	107.4
10. Colorado	8.9	104.7	Montana	36.4	109.6	Florida	27.1	105.0
11. New Jersey	8.9	104.7	Illinois	35.7	107.5	Massachusetts	27.0	104.7
12. California	8.8	103.5	Nevada	35.6	106.6	Ohio	26.9	104.3
13. New York	8.7	102.4	Colorado	35.3	106.3	Indiana	26.6	103.1
14. Indiana	8.6	101.2	Massachusetts	34.8	104.8	Connecticut	26.6	102.3
15. Washington	8.6	101.2	Utah	34.3	103.3	New Mexico	26.2	101.6
16. Utah	8.5	100.0	Wyoming	33.9	102.1	Utah	25.7	99.6
17. Florida	8.5	100.0	Indiana	33.4	100.0	Arkansas	25.6	99.2
18. Oklahoma	8.4	98.8	Ohio	32.2	97.0	Colorado	25.1	97.3
19. Maine	8.2	96.5	Connecticut	31.7	95.5	Washington	24.4	94.6
20. Minnesota	8.2	96.5	Texas	31.6	95.2	Wyoming	24.2	93.8
21. Vermont	8.0	94.1	Missouri	31.5	94.9	Missouri	24.2	93.8
22. North Carolina	7.9	92.9	Iowa	31.0	93.4	Oklahoma	24.2	93.8
23. New Hampshire	7.9	92.9	Vermont	30.9	93.1	Louisiana	24.1	93.4
24. Kentucky	7.8	91.8	Washington	30.7	92.5	Vermont	24.1	93.4
25. Connecticut	7.8	91.8	Louisiana	30.6	92.2	California	24.0	93.0

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TABLE 6.—States arranged by average percentage of nonagricultural unemployment—April 1930; 1933 average; and 1930-33 average—Contd.

April 1930			1933 average			1930-33 average		
State	Percent of gainful workers unem- ployed	Ratio to average of all States	State	Percent of gainful workers unem- ployed	Ratio to average of all States	State	Percent of gainful workers unem- ployed	Ratio to average of all States
		<i>Percent</i>			<i>Percent</i>			<i>Percent</i>
26. Wisconsin.....	7.8	91.8	Minnesota.....	30.3	91.3	Texas.....	23.9	92.6
27. Missouri.....	7.7	90.6	Nebraska.....	30.2	91.0	Wisconsin.....	23.8	92.2
28. Louisiana.....	7.7	90.6	West Virginia.....	29.4	88.6	Minnesota.....	23.4	90.7
29. Idaho.....	7.6	89.4	Maryland.....	29.4	88.6	Maryland.....	23.4	90.7
30. West Virginia.....	7.4	87.1	California.....	29.2	88.0	West Virginia.....	23.2	89.9
31. New Mexico.....	7.4	87.1	Oklahoma.....	29.2	88.0	Alabama.....	23.2	89.9
32. Arizona.....	7.4	87.1	Alabama.....	29.1	87.7	Maine.....	21.8	84.5
33. Wyoming.....	7.1	83.5	Wisconsin.....	28.8	86.7	Iowa.....	21.8	84.5
34. Texas.....	6.7	78.8	Idaho.....	28.5	85.8	Idaho.....	21.8	84.5
35. Arkansas.....	6.5	76.5	North Dakota.....	27.3	82.2	New Hampshire.....	21.8	84.5
36. Kansas.....	6.2	72.9	Kansas.....	26.9	81.0	Oregon.....	21.7	81.1
37. North Dakota.....	6.1	71.8	Virginia.....	25.6	77.1	Nebraska.....	21.5	83.3
38. Virginia.....	5.9	69.4	Mississippi.....	25.1	75.6	North Carolina.....	21.3	82.6
39. Nebraska.....	5.9	69.4	Kentucky.....	22.7	68.4	Virginia.....	21.1	81.8
40. Georgia.....	5.9	69.4	South Dakota.....	22.7	68.4	Kansas.....	21.0	81.4
41. Maryland.....	5.8	68.2	Tennessee.....	22.6	68.1	Kentucky.....	20.8	80.6
42. Alabama.....	5.6	65.9	Oregon.....	21.3	64.2	Tennessee.....	20.4	79.1
43. Iowa.....	5.4	63.5	New Hampshire.....	21.3	64.2	Mississippi.....	19.4	75.2
44. Tennessee.....	5.3	62.4	District of Columbia.....	21.0	63.3	North Dakota.....	18.9	73.3
45. South Carolina.....	5.2	61.2	Maine.....	20.3	61.1	District of Columbia.....	18.3	70.9
46. Delaware.....	5.2	61.2	North Carolina.....	18.4	55.4	Delaware.....	18.3	70.9
47. District of Columbia.....	4.9	57.6	Delaware.....	16.7	50.3	South Dakota.....	17.5	67.8
48. Mississippi.....	4.6	54.1	South Carolina.....	12.9	38.9	South Carolina.....	17.2	66.7
49. South Dakota.....	3.9	45.9	Georgia.....	12.6	38.0	Georgia.....	17.0	65.9

Source: Estimates derived from population and employment data reported by the U. S. Bureau of the Census, the U. S. Bureau of Agricultural Economics, and the U. S. Bureau of Labor Statistics.

TABLE 7.—*Countries in which compulsory unemployment-insurance laws have been enacted and number of workers covered in each*

Country ¹	Date of law ²	Number insured ³
Australia (Queensland).....	Oct. 18, 1922	175,000
Austria.....	Mar. 24, 1920	969,000
Bulgaria.....	Apr. 12, 1925	280,000
Germany.....	July 16, 1927	⁴ 17,920,000
Great Britain and Northern Ireland.....	Dec. 16, 1911	12,960,000
Irish Free State.....	Aug. 9, 1920	359,000
Italy.....	Oct. 19, 1919	4,000,000
Poland.....	July 18, 1924	954,000
Switzerland (13 cantons).....	(⁵)	⁶ 325,000
United States (Wisconsin).....	Jan. 29, 1932	330,000
Total number insured.....		38,272,000

¹ A compulsory law was passed in Russia in 1922, but benefit payments were suspended in 1930.

² These are the dates upon which the laws were enacted, not the dates upon which they went into effect.

³ These are the most recent figures available.

⁴ This figure represents the number covered previous to the beginning of the depression in 1929. The official figure is much smaller (12,503,000 at end of August 1933); the difference is due not to any limitation of coverage but to the fact that those unemployed workers who had exhausted their right to insurance benefits and had thus come within the scope of the communal relief were not included in the figures for the members covered by unemployment insurance.

⁵ The first of the cantonal measures was passed in 1925.

⁶ This figure includes persons compulsorily insured in certain communes in cantons having voluntary insurance.

Source: Compiled by the Committee on Economic Security.

TABLE 8.—*Countries in which voluntary unemployment insurance laws have been enacted and number of workers covered in each*

Country	Date of law ¹	Number insured ²
Belgium.....	Dec. 30, 1920	1,038,000
Czechoslovakia.....	July 19, 1921 ³	1,500,000
Denmark.....	Apr. 9, 1907	337,000
Finland.....	Nov. 2, 1917	15,000
France.....	Sept. 9, 1905	192,000
Netherlands.....	Dec. 2, 1916	502,000
Norway.....	Aug. 6, 1915	47,000
Spain.....	May 25, 1931	⁴ 50,000
Sweden.....	Jan. 1, 1935	(⁵)
Switzerland (11 cantons) ⁶	Oct. 17, 1924 ⁷	195,000
Total number insured.....		3,876,000

¹ These are the dates for the enactment of the national laws, not the dates upon which they took effect.

² These are the most recent figures available.

³ This act came into effect on Apr. 1, 1925.

⁴ The number of persons belonging to funds which may be subject to the insurance law is 50,000. It is not definitely known whether all these persons come under the law but it is probable that the majority of them do.

⁵ It is estimated that 23 unions with 320,000 members have funds which may be used for the insurance provided in the law. The law became effective Jan. 1, 1935. It is likely that 320,000 can be taken as a rough estimate of the number who will come under the law in its early stages.

⁶ 7 of these cantons specify that communes may enforce compulsory insurance within their borders; the population of communes that have compulsory insurance is given in table 1.

⁷ This is the date of the national measure. The first of the cantonal acts was passed in 1925.

Source: Compiled by the Committee on Economic Security.

TABLE 9.—*General provisions of compulsory unemployment insurance laws*

Country and year of original law ¹	Regular weekly contributions	Qualifying period (contributions)	Waiting period (days)	Amount of benefit	Normal duration of benefits
Australia (Queensland), 1922.	Workers, employers, State, each 6d.	26 weeks	14	Varies with locality, marital status, and number of dependents.	13 weeks.
Austria, 1920.	One-half workers, one-half employers, as percentage of basic wage classes.	20 weeks	8	Varies with wage classes, marital status, and number of dependents.	12 to 20 weeks.
Bulgaria, 1925.	Workers, employers, State, each 1 leva.	52 weeks in 2 years	8	16 leva daily for head of family, 10 leva all others.	12 weeks.
Germany, 1927.	Workers, employers, each 3/4 percent of basic wage classes.	do.	Varies, 3 to 14 with number of dependents.	Varies with wage classes, locality, and number of dependents.	14 weeks (means test required after 6 weeks).
Great Britain, 1911.	Workers, employers, State, each one-third, as flat rate varying with age and sex.	30 weeks in 2 years	6	Varies with age, sex, and number of dependents.	26 weeks.
Irish Free State, 1911.	Workers and employers contribute varying amounts; State two-sevenths of aggregate.	12 weeks	6	do.	1 day's benefit for each weekly contribution.
Italy, 1919.	One-half workers, one-half employers, as percentage of basic wage classes.	45 weeks in 2 years	7	Varies with wage classes	90 to 120 days.
Poland, 1924 ²	Wage earners 1/2 percent of wages; employers, 1 1/2 percent, State 1 percent.	26 weeks	10	Varies with marital status and number of dependents.	13 weeks.
Switzerland (13 cantons)	Varies with the type of insurance fund, occupation, risks involved, and laws of Canton.	180-day minimum	3 minimum	Maximum benefit 50 percent wages, plus 10 percent for members with dependents.	90-day maximum.

¹ A compulsory law was passed in Russia in 1922, but benefits were suspended in 1930, owing to an absence of unemployment.

² Poland also has a system of unemployment insurance for salaried workers to which only employers and employees contribute.

Source: Compiled mainly from the *Monthly Labor Review*, August and September 1934, "Operation of Unemployment Insurance Systems in the United States and Foreign Countries."

TABLE 10.—General provisions of voluntary subsidized unemployment insurance laws

Country and year of original law	Subsidies	Qualifying period	Waiting period	Maximum amount of benefits	Normal duration of benefits
Belgium, 1920.....	State pays two-thirds of contributions by members.	1 year.....	1 day each month plus 3 days each 6 months.	Three-fourths usual wages.	30 days each 6 months.
Czechoslovakia, 1921.....	State pays 2 to 3 times union benefits.	Varies with fund; 3-month minimum.	7 days.....	Two-thirds last wage.....	26 weeks.
Denmark, 1917.....	State, 15 to 90 percent contributions; local governments pay one-third of State subsidy.	12 months.....	6-day minimum; 15 maximum. Varies with fund.	Two-thirds average earnings.	Varies; 70 to 120 days.
Finland, 1917.....	State, one-third to two-thirds of benefits paid by funds.	6 months.....	6-day minimum; 18 maximum; varies.	Two-thirds average wage.....	120 days.
France, 1905.....	State, 60 to 90 percent of benefits.	do.....	Varies with funds.	One-half normal wages.....	180 days.
Netherlands, 1916.....	Federal, one-half workers contributions; local, one-half also.	Varies; 26 weeks in general.	Varies; 6 days in general.	70 percent average daily wage.	Varies; 30 to 90 days.
Norway, 1915.....	State one-half and more of benefits paid; local governments pay two-thirds of State subsidy.	26 weeks.....	Varies with fund; 3 to 14 days.	One-half daily earnings.....	13 weeks.
Spain, 1931.....	State pays varying percentage of benefits.	6 months.....	6 days.....	Three-fifths normal wages.	60 days.
Sweden, 1931 ¹	State pays percentage of benefits.	52 weeks in 2 years.....	6-day minimum; 3-month maximum.	Four-fifths usual wages.....	90-day minimum; 120-day maximum.
Switzerland, 1924.....	Federal subsidy, 38 to 43 percent of benefits plus cantonal and communal subsidies.	180-day minimum.....	3-day minimum.....	Three-fifths normal wages.	90-day maximum.

¹ Sweden's law became effective Jan. 1, 1935.Source: Compiled mainly from the *Monthly Labor Review*, August and September 1934, "Operation of Unemployment Insurance Systems in the United States and Foreign Countries."

TABLE 11.—*Number of older persons gainfully occupied by age and occupation for United States, 1930*¹

	45 and over	50 and over	55 and over	60 and over	65 and over	70 and over	75 and over
Total population.....	28, 048, 786	21, 006, 507	15, 030, 703	10, 385, 026	6, 633, 805	3, 863, 200	1, 913, 196
Total gainfully occupied.....	14, 626, 620	10, 350, 550	6, 795, 459	4, 155, 395	2, 204, 967	977, 925	335, 023
Agriculture.....	3, 891, 109	2, 979, 047	2, 115, 609	1, 407, 129	829, 825	417, 734	159, 809
Forestry and fishing.....	84, 013	58, 250	36, 865	21, 627	11, 100	4, 678	1, 493
Extraction of minerals.....	286, 039	181, 594	104, 957	54, 796	24, 553	8, 572	2, 347
Manufacturing and me- chanical industries.....	4, 165, 502	2, 837, 582	1, 794, 848	1, 047, 104	518, 525	205, 130	61, 048
Transportation and com- munication.....	994, 996	656, 832	400, 231	222, 808	100, 297	33, 141	9, 073
Trade.....	1, 889, 026	1, 307, 044	831, 557	488, 493	247, 726	105, 367	33, 616
Public service.....	351, 075	270, 775	192, 679	126, 097	69, 441	29, 701	8, 891
Professional service.....	852, 491	596, 732	380, 186	223, 031	113, 284	51, 190	18, 496
Domestic and personal serv- ice.....	1, 566, 011	1, 107, 365	723, 292	443, 768	232, 989	99, 963	33, 500
Clerical occupations.....	546, 358	355, 329	215, 235	120, 542	57, 227	22, 449	6, 750

¹ Less unknown.Source: Fifteenth Census of the U. S., 1930, vol. II, *Population*, table 3, p. 567, and vol. IV, *Occupations*, table 21, p. 42.

TABLE 12.—Age distribution of United States population by urban and rural for 1920 and 1930

Age group	Total population			Urban population			Rural population		
	1920	1930		1920	1930		1920	1930	
	Number	Number	Accumulated percentage ¹	Number	Number	Accumulated percentage ¹	Number	Number	Accumulated percentage
Under 5.....	11,573,230	11,444,390	-----	5,275,751	5,626,360	-----	6,297,479	5,818,030	-----
5 to 9.....	11,398,075	12,607,609	90.6	5,050,276	6,211,141	91.7	6,347,799	6,396,468	89.1
10 to 14.....	10,641,137	12,004,877	80.3	4,664,312	5,949,693	82.7	5,976,825	6,055,184	77.3
15 to 19.....	9,430,556	11,552,115	70.5	4,445,963	6,015,411	74.1	4,984,593	5,536,704	66.0
20 to 24.....	9,277,021	10,870,378	61.1	5,102,999	6,420,308	65.4	4,174,922	4,450,070	55.7
25 to 29.....	9,086,491	9,833,608	52.2	5,319,058	6,171,951	56.1	3,767,433	3,661,657	47.4
30 to 34.....	8,071,193	9,120,421	44.2	4,726,556	5,773,376	47.1	3,344,637	3,346,945	40.6
35 to 39.....	7,773,251	9,208,645	36.8	4,453,437	5,773,764	38.8	3,321,844	3,434,881	34.4
40 to 44.....	6,345,557	7,990,195	29.3	3,602,119	4,932,386	30.4	2,743,438	3,057,809	28.0
45 to 49.....	5,763,620	7,042,279	22.8	3,190,639	4,222,829	23.2	2,572,981	2,819,450	22.4
50 to 54.....	4,734,873	5,975,804	17.1	2,613,070	3,491,257	17.1	2,121,803	2,484,547	17.1
55 to 59.....	3,549,124	4,645,677	12.2	1,895,847	2,656,416	12.0	1,653,277	1,989,261	12.5
60 to 64.....	2,982,548	3,751,221	8.5	1,528,090	2,120,260	8.2	1,454,458	1,630,961	8.8
65 to 69.....	2,068,475	2,770,605	5.4	1,000,986	1,527,724	5.1	1,067,489	1,242,881	5.8
70 to 74.....	1,395,036	1,950,004	3.1	660,731	1,031,232	2.9	734,305	918,772	3.5
75 to 79.....	856,560	1,106,390	1.6	398,637	563,217	1.4	457,923	543,173	1.8
80 to 84.....	402,779	534,676	.7	185,455	267,715	.6	217,324	286,961	.8
85 to 89.....	156,539	205,469	.2	69,012	102,133	.2	87,527	103,336	.3
90 to 94.....	39,980	51,664	.1	17,626	25,147	(3)	22,354	26,517	.1
95 to 99.....	9,579	11,033	(3)	4,223	5,007	(3)	5,356	6,026	(3)
100 and over.....	4,267	3,964	(3)	1,881	1,360	(3)	2,386	2,604	(3)
Unknown.....	148,699	94,022	.1	98,835	66,036	.1	49,864	27,986	.1
Total population.....	105,710,620	122,775,046	100.0	54,304,803	68,954,823	100.0	51,406,017	53,820,223	100.0

¹ Accumulated percentage based on all over first age mentioned in each age group.² Estimated.³ Less than one-tenth of 1 per cent.Source: Fifteenth Census of the U. S., 1930, vol. II, *Population*, tables 7 and 16, pp. 576, 587-89.

TABLE 13.—*Actual and estimated number of persons aged 65 and over compared to total population, 1860 to 2000*

Year	Number aged 65 and over	Total population	Percent aged 65 and over	Year	Number aged 65 and over	Total population	Percent aged 65 and over
1860.....	849,000	31,443,000	2.7	1940.....	8,311,000	132,000,000	6.3
1870.....	1,154,000	38,558,000	3.0	1950.....	10,863,000	141,000,000	7.7
1880.....	1,723,000	50,156,000	3.4	1960.....	13,590,000	146,000,000	9.3
1890.....	2,424,000	62,622,000	3.9	1970.....	15,066,000	149,000,000	10.1
1900.....	3,089,000	75,995,000	4.1	1980.....	17,001,000	150,000,000	11.3
1910.....	3,958,000	91,972,000	4.3	1990.....	19,102,000	151,000,000	12.6
1920.....	4,940,000	105,711,000	4.7	2000.....	19,338,000	151,000,000	12.7
1930.....	6,634,000	122,775,000	5.4				

Source: Data for years 1860 to 1930 from the U. S. Censuses. Estimates for subsequent years by the actuarial staff of the Committee on Economic Security. These forecasts are made on the assumption of a net immigration of 100,000 annually in years 1935-39, and 200,000 annually in 1940 and thereafter.

TABLE 14.—*Operation of old-age pension laws of the United States, 1934*

State	Type of law	Number of pensioners ¹	Number of eligible age ²	Percent-age of pensioners to number of eligible age	Average pension ¹	Yearly cost ³
<i>Percent</i>						
Alaska.....	Mandatory.....	⁴ 446	3,437	11.1	\$20.82	\$95,705
Arizona.....	do.....	⁵ 1,974	9,118	21.6	9.01	200,927
California.....	do.....	⁶ 19,300	210,379	9.2	21.16	3,502,000
Colorado.....	do.....	8,705	61,787	14.1	8.59	172,481
Delaware.....	do.....	⁸ 1,610	16,678	9.7	9.79	188,740
Hawaii.....	Optional.....	(⁹)	(⁶)	(⁶)	(⁶)	(⁶)
Idaho.....	Mandatory.....	1,275	22,310	5.7	8.85	114,521
Indiana.....	do.....	⁷ 23,418	138,426	16.9	⁷ 6.13	⁸ 1,254,169
Iowa.....	do.....	⁴ 3,000	184,239	1.6	⁴ 13.50	⁹ 475,500
Kentucky.....	Optional.....	(¹⁰)	(¹⁰)	(¹⁰)	(¹⁰)	(¹⁰)
Maine.....	Mandatory.....	(¹¹)	(¹¹)	(¹¹)	(¹¹)	(¹¹)
Maryland.....	Optional.....	¹² 141	92,972	.2	29.90	50,217
Massachusetts.....	Mandatory.....	¹² 20,023	156,590	12.8	24.35	5,411,723
Michigan.....	do.....	¹² 2,660	148,853	1.8	¹² 9.59	¹³ 306,096
Minnesota.....	Optional.....	2,655	94,401	2.8	13.20	420,536
Montana.....	do.....	1,781	14,377	12.4	7.28	155,525
Nebraska.....	Mandatory.....	(¹⁴)	(¹⁴)	(¹⁴)	(¹⁴)	(¹⁴)
Nevada.....	Optional.....	23	4,814	.5	15.00	3,320
New Hampshire.....	Mandatory.....	⁴ 1,423	25,714	5.5	¹⁵ 19.06	¹³ 298,722
New Jersey.....	do.....	¹⁵ 10,560	112,594	9.4	12.72	1,375,693
New York.....	do.....	51,228	373,878	13.7	22.16	13,592,080
North Dakota.....	do.....	(¹⁶)	(¹⁶)	(¹⁶)	(¹⁶)	(¹⁶)
Ohio.....	do.....	¹² 24,000	414,836	5.8	⁴ 13.99	¹³ 3,000,000
Oregon.....	do.....	(¹⁷)	(¹⁷)	(¹⁷)	(¹⁷)	(¹⁷)
Pennsylvania.....	do.....	(¹⁸)	(¹⁸)	(¹⁸)	(¹⁸)	(¹⁸)
Utah.....	do.....	930	22,665	4.1	8.56	95,599
Washington.....	do.....	⁷ 2,239	101,503	2.2	(⁶)	(⁶)
West Virginia.....	Optional.....	(¹⁶)	(¹⁶)	(¹⁶)	(¹⁶)	(¹⁶)
Wisconsin.....	do.....	1,969	112,112	1.8	16.75	395,707
Wyoming.....	Mandatory.....	643	8,707	7.4	10.79	83,231
Total.....		180,003				31,192,492

¹ Where no special reference is given, the figures are as of Dec. 31, 1933.

² 1930 Census figures.

³ Where no special reference is given, the figures represent actual cost for the year 1933.

⁴ As of December 1934.

⁵ As of Oct. 1, 1934.

⁶ No information available or not computed.

⁷ As of August 1934.

⁸ Appropriation for 1934.

⁹ Estimated from expenditures of April through November 1934, \$317,000.

¹⁰ No pensions being paid.

¹¹ Not yet in effect.

¹² As of November 1934.

¹³ Estimated from monthly figures.

¹⁴ Not much being done due to lack of funds.

¹⁵ As of September 1934.

¹⁶ No pensions being paid now.

¹⁷ Administered by counties; no information available for State.

¹⁸ Law just being put into effect.

Source: Data collected by the Committee on Economic Security.

TABLE 15.—Principal features of the old-age pension laws of the United States

State	Date enacted	Date amended	In effect	Nature of law	Administration		Degree of State supervision	Allocation of expenses			Fund provided by—	Qualifications for recipients							Disqualifications (see explanatory footnotes)	Other provisions (see explanatory footnotes)	Maximum amount of pension	Period of payments			
					State	Local		State	County	Town		Age	Citizenship	Residence		Property limit	Annual income limit								
														State (years)	County (years)										
Alaska	1916	1917, 1919, 1925, 1929	1915	Mandatory	Alaska Pioneers Home	No local administration	Territory administration	All	None	None	Territory	65	Required	(1)	None	Insufficient means of support		\$300	d, n	B			(M \$35 a month, W \$45 a month)	Quarterly	
Arizona	1933		1933	do	State auditor	County old-age pension commission	Duplicate certificate to auditor; annual report	67 percent	33 percent	None	State and county	70	do	35	Required	(2)			a, f, n	B, C			\$30 a month	Monthly	
California	1929	1931, 1933	1929	do	Department of social welfare, Division of state aid for the aged	County board of supervisors, local department of public welfare	Complete supervision; monthly reports	One-half	One-half	None	do	70	15 years	15	1		\$3,000	365	a, f, n, o	A			\$1 a day	Do	
Colorado	1927	1931, 1933	1927	do	Right of appeal to district court and supreme court	County court; board of county commissioners, trustees	Annual report to Secretary of State	State fund allocated to counties in proportion to population			State estate and liquor tax; local liquor tax	65	do	15	6		\$2,000	365	a, b, c, d, f, n	A, B, C			do	Monthly or quarterly	
Delaware	1931	1933	1931	do	State old-age welfare commission		State administration	All	None	None	State current revenues	65	Not required	5	None		300		a, d, f, i, n	C			\$25 a month	Monthly	
Hawaii	1933	1933	1934	Optional	Territorial auditor	Old-age pension commission	Annual report to Territorial auditor	None	Shared by county and city		Counties and cities	65	30 years	15		(2)		300	e, f, i	A, B, C			\$15 a month	Do	
Idaho	1931		1931	Mandatory	Department of public welfare, State auditor	do	Annual report only	None	All	None	County	65	15 years	10	3		(1)	300	a, b, c, d, e, f, i, m	A, B, C, D			\$25 a month	Do	
Indiana	1933		1934	do	Board of county commissioners	Old-age pension commissions	Annual report; duplicate certificate to auditor	One-half	One-half	None	State and county	70	do	15	12		\$1,000	180	a, b, c, d, e, f, i, j, l, n	A, B, C			\$15 a month	Do	
Iowa	1924		1934	do	Old-age assistance commission	Old-age assistance boards	Complete supervision	All	None	None	State poll tax	65	do	10	2		(1)	\$365	a, b, c, d, f, i, j, l, n	A, B, C, D			\$25 a month	Monthly or quarterly	
Kentucky	1926		(2)	Optional	None	County commissioners	None	None	All	None	County	70	do	10	10		2,500	400	a, d, f, b, i, n	B			\$250 a year	Do	
Maine	1933		(2)	Mandatory	Department of health and welfare	Old-age pension boards	Complete supervision	One-half	One-half	None	No provisions as yet	65	Required	15	1		\$300	365	a, b, c, e, f, i, k	A, B, C			\$1 a day	Not specified	
Maryland	1927	1931	1927	Optional	None	County commissioners	Annual report to Governor	None	All	None	County	65	15 years	10	10			365	a, c, d, e, f, i, n	C			do	Do	
Massachusetts	1920	1932, 1933	1931	Mandatory	State department of public welfare	Bureau of old-age assistance	Complete supervision	One-third	Two-thirds	Cities and towns	State poll tax; liquor tax	70	Required	20	None		None specified		d, "Deserving citizens"				Adequate assistance	Do	Do
Michigan	1933		1933	do	State welfare department, old-age pension bureau	Old-age pension board	do	All	None	None	State poll tax	70	15 years	10	None		\$3,600	365	a, b, c, d, f, i, n	A, B, C, D			\$50 a month	Monthly	
Minnesota	1929	1931, 1933	1929	Optional	None	Board of county commissioners	None	None	All	Reimburse county	County, city, town, village	70	do	15	15		\$3,000	365	a, c, d, e, f, i, n	A, B, C			\$1 a day	Monthly or quarterly	
Montana	1923		1923	do	None	Old-age pension commission	Annual report to State auditor	None	All	None	County poor fund	70	do	15	None	(2)	300		h, c, d, e, f, i, l	A, B, C			\$25 a month	Monthly	
Nebbraska	1933		1933	Mandatory	Auditor of public accounts	do	do	None	All	None	County poll tax	65	do	15	None	(2)	300		a, b, c, d, e, f, i, l	A, B, C			\$20 a month	Do	
Nevada	1925		1925	Optional	None	Board of county commissioners	Annual report to Governor	None	All	None	County	65	do	10	None		\$3,000	300	a, b, c, d, e, f, i, l	A, B, C, D			\$1 a day	Monthly or quarterly	
New Hampshire	1931		1931	Mandatory	None	County commissioners	None	None	All	Reimburse county	do	70	do	10	10		2,000	360	a, c, d, e, f, i, n	A, B, C			\$7.50 a week	Weekly or monthly	
New Jersey	1921	1932, 1933	1932	do	Department of Institutions and agencies, division of old-age relief	County welfare board	Complete supervision	Three-fourths	One-fourth	None	State inheritance tax and county fund	70	Required	15	1		3,000 (2)		a, c, e, f, g	A, C			\$1 a day	Monthly	
New York	1930	1934	1930	do	State department of social welfare	Public welfare district official	do	One-half	One-half	Public welfare district	State, county, city	70	do	10	1		Unable to support self		a, d, f, g				Determined by official	Not specified	
North Dakota	1933		1933	do	Secretary of agriculture and labor	Board of county commissioners	do	All	None	None	State special tax	65	do	20	None		150		a, f, i, m, n, p	A, B			\$150 a year	Monthly	
Ohio	1933		1934	do	Department of public welfare, division of aid for the aged	Board of aid for the aged	do	All	None	do	State	65	15 years	15	1		\$3,000 couple \$4,000	300	a, b, c, d, f	A, B, C, D			\$25 a month	Do	
Oregon	1933		1934	do	State board of control	Old-age pension commission	Annual report to State board of control	Part of State liquor tax distributed to counties, balance paid by counties		do	State liquor tax; county general fund	70	do	15	2		\$2,000	350	a, b, c, d, f, i, l	A, B, C, D			\$30 a month	Monthly or quarterly	
Pennsylvania	1934		1934	do	Department of welfare	Board of trustees of old-age assistance fund	Complete supervision	State fund allocated to counties according to number of people on pension rolls			State	70	do	15	None	Indigent			a, b, c, d, f, i	C			do	Monthly	
Utah	1929		1929	do	None	Board of county commissioners	None	None	All	None	County	65	do	15	6		(2)	300	a, b, c, d, e, f, i, l	A, B, C			\$25 a month	Do	
Washington	1933		1933	do	None	Board of county commissioners	None	None	All	None	do	65	do	15	6		(2)	350	a, b, c, d, e, f, i, l	A, B, C			\$30 a month	Do	
West Virginia	1931		1931	Optional	None	County court	Annual audit by tax commissioner	None	All	None	do	65	do	10	10		No property or income		a, d, e, f, g, h, i, j, n	B			\$1 a day	Do	
Wisconsin	1925	1929, 1931, 1933	1925	(2)	State board of control	County judge	Annual report	One-third	Two-thirds	Reimburse county	State, county, local	70	do	15	15		\$3,000	365	a, c, d, e, f, i, o	A, B, C			do	Monthly or quarterly	
Wyoming	1929	1931	1929	Mandatory	None	Old-age pension commission	Annual report to State auditor	None	All	None	County poor fund	65	do	15	6		(2)	360	a, b, c, d, e, f, i, l	A, B, C			\$30 a month	Monthly	

1 Since 1906.

2 Annual income of any property to be computed at 2 percent of its value.

3 Annual income of any property to be computed at 5 percent of its value.

4 Required residence in United States 10 years.

5 When Governor can raise funds.

6 House in which applicant lives not to be considered property.

7 Earnings and gifts up to \$100 exempt.

8 Unable to maintain self.

9 Mandatory from July 1, 1935, on.

Source: Compiled by Committee on Economic Security from State laws.

Disqualifications:

- Inmate of any prison, jail, insane asylum, or correctional institution.
- Desertion of spouse.
- To have failed without just cause to provide support for wife and minor children.
- Relative legally liable and able to support.
- Sentence for crime.
- Deposed of or deprived oneself of property to qualify for pension.
- Need of institutional care.
- Recipient of pension from Federal, State, or foreign government.

- Habitual tramp, vagrant, or beggar.
- Unable to earn at least \$1 per day.
- Spouse and children able to furnish support.
- Convicted of crime involving moral turpitude.
- To have failed to work according to ability.
- Inmate of benevolent, charitable, or fraternal institution.
- Husband, wife, parent, or child able and responsible for support.
- Children liable and able to support.

Other provisions:

- Transfer of applicant's property to pension authority may be demanded before pension is granted.
- Amount of payments to be collected from estate on death of pensioner or the survivor of a married couple.
- Allowances for funeral expenses.
- Payments may be made to charitable or benevolent institution if pensioner is inmate.

TABLE 16.—*Old-age insurance and pension legislation in foreign countries through 1933—Continued*

B. COMPULSORY CONTRIBUTORY OLD-AGE INSURANCE LAWS OF LIMITED COVERAGE

Country	Year when passed	Coverage
Argentina ^{1 2}	1921	Public utility employees.
	1924	Bank staffs.
Brazil ^{1 2}	1923	Railway workers.
	1926	Dock workers.
	1931	Staffs of public utility undertakings.
Cuba ^{1 2}	1927	Seamen and harbor workers.
Ecuador ¹	1928	Staffs of banks.
Switzerland:		
Canton Glarus ¹	1916	Legal residents between ages 17 and 50.
Appenzell.....	1925	All legal residents between ages 18 and 64.
Basle Town ²	1931	All persons between ages 20 and 65 who have been resident in the Canton for 2 years.
Uruguay ^{1 2} (see also section C).....	1919	Staffs of public utility undertakings.
	1925	Staffs of banks and stock exchange.

C. NONCONTRIBUTORY OLD-AGE PENSION LAWS

Australia ¹	1908	All citizens with insufficient income, resident 20 years.
Canada.....	1927	All citizens with insufficient income; resident in Canada 20 years, in Province 5 years.
Denmark.....	1891	Citizens with insufficient means, resident 5 years.
France ¹ (see also section A).....	1905	All citizens with insufficient means.
Great Britain (see also section A).....	1908	Citizens with insufficient means; 12 years' residence since age 50 for natural-born citizens; 20 years' residence in all for naturalized subjects.
Greenland.....	1926	All Greenlanders without subsistence income.
Iceland.....	1909	Citizens with insufficient means.
Irish Free State.....	1908	Citizens with insufficient means, resident 30 years.
Newfoundland.....	1911	All citizens with insufficient means.
New Zealand.....	1898	Citizens with insufficient means and 25 years' continuous residence.
Norway (will not go into effect until announced by Royal decree).....	1923	All citizens with insufficient income.
South Africa.....	1928	All citizens (of 5 years' standing) with 15 years' residence out of preceding 20 years; other persons with 25 years' residence out of preceding 30 years; insufficient income.
Uruguay ¹ (see also section B.).....	1919	All persons with insufficient means. (For naturalized subjects or aliens 15 years' residence is required.)

¹ Old-age pension legislation combined with invalidity pension legislation.² Old-age insurance combined with survivors' insurance.

TABLE 17.—Principal provisions of foreign noncontributory old-age-pension laws through 1933

Country	Year when passed	Qualifications for recipients									Amount of pension	Source of fund	Administrative responsibility
		Age	Citizenship	Residence	Other qualifications	Disqualifications	Property limit	Annual-income limit	Property exemption	Annual-income exemption			
Australia ¹	1908	Men 65; ² Women 60. ³	British subject	20 years in union	a	A, B, C	£400	£88	£50. House in which pensioner resides.	£32 10 s.; benefits from friendly societies and trade unions; allowances from children; war pensions.	Maximum £45 10 s. a year. ⁴ Reduced by £1 for each £10 of property except exempt property.	Commonwealth	Federal Government.
Canada. Effective in 8 provinces: Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Prince Edward Island, Saskatchewan.	1927	70	British subject	20 years in union; 5 years in province.		B	Annual income of real property taken at 5 percent of its value; ⁵ income of personal property—government annuity purchasable with it.	\$365	See property limit	\$125	Maximum \$240 a year, ⁶ reduced by amount of pensioner's income (less exemption).	¾ dominion; ¼ province	Shared by dominion and provinces.
Denmark	1891	65 ⁷	Required	5 years in state.		D, E, F	Annual income of property taken at 4 percent of its value.	275 to 375 kr. (varying with locality) plus maximum pension applicable.	Annual income of property taken at 4 percent of its value.	100 to 200 kr. (varying with locality).	Married couple, maximum 600 to 1,008 kr.; single man, maximum 400 to 678 kr.; single woman, maximum 378 to 642 kroner; ⁸ adjusted to means.	7/12 state; 6/12 communes	Shared by central government and localities.
France ¹¹	1907	70	do	None		G	Income from capital equal to life annuity purchasable with it.	2,400 francs plus earnings of pensioner.	Income from capital equal to life annuity purchasable with it.	Earnings of pensioner, 400 francs from savings (600 francs if pensioner has raised 3 children to age 15).	Maximum 600 to 900 francs (varying with locality). ⁹	State pays 240 francs on each pension; commune pays balance.	Do.
Great Britain ¹	1908	70	British subject	12 years since age 50 for natural-born citizens, 20 years in all for naturalized subjects.		E	Annual income from first £375 property (other than property personally enjoyed by pensioner) computed at 5 percent balance; at 10 percent in necessary circumstances.	£40 17s. 6d.	Income from £25 of property; £30 annual income derived from sources other than earnings; £20 6s. annual income derived from any source; furniture and personal effects; sickness benefit from friendly society or trade union.		Maximum 10s. a week; reduced in proportion to pensioner's income.	State	Central government.
Greenland	1926	55	Required		a		In necessary circumstances				Amount fixed by district council.	District partly reimbursed by State.	
Iceland	1909				a		In necessary circumstances				Minimum 20 kr. a year; maximum 200 kr. a year.	Poll tax on all persons between 18 and 60 years.	
Irish Free State	1908	70	Not required	30 years in all; 6 years since age 50 for citizens, 16 years for others.		E	Annual income from first £375 property (other than property personally enjoyed by pensioner) computed at 6 percent; balance at 10 percent.	£39 5s.	Annual income from £25 of property; furniture and personal effects; sickness benefit from friendly society or trade union.	£15 12s. 6 d. annual income; maximum 10s. a week; reduced in proportion to pensioner's income.		State	Central government.
Newfoundland	1911	75 ⁸	Not required	20 years in State			"In need"				\$50 a year.	State	
New Zealand	1898	Men 65; ⁹ Women 60. ⁸	British subject	25 years in State	a	A, C, D, E	£400; annual income of property fixed at 10 percent for all property except exempt property (£50).	£80; married couple, £121.	£60. Funeral benefit from friendly society; house (including furniture and personal effects) in which pensioner lives provided ownership is transferred to pension authority.	£30 Maximum £20 a year for white persons; £18 for colored persons.	Maximum £40 19s. a year; ¹⁰ reduced in proportion to means; increased for pensioners with 2 or more dependent children.	State	Central government.
Norway ¹²	1923	70	Required		a		Inadequate income				Fixed so that 60 percent of amount will buy necessities of life.	50 percent State; 50 percent commune.	
South Africa	1928	65	Not required	16 years out of 20 just before claiming for persons who have been British subjects for 5 years; 25 years out of 30 for others.		A, G, H	Annual income from any property owned and occupied by pensioner and from all other uninvested assets computed at 10 percent.	£54 for white persons; £36 for colored persons.	Annual income from property owned and occupied by pensioner and from other uninvested assets computed at 10 percent.	£24 for white persons; £18 for colored persons.	Maximum £20 a year for white persons; maximum £18 a year for colored persons; reduced in proportion to pensioner's means.	State	Central government.
Uruguay ¹²	1919	60	do	None required for natural-born subjects; 15 years for naturalized subjects or aliens		G	Property must be expressed in terms of annual income.	202 pesos a year	Property must be expressed in terms of annual income.	10 pesos	Maximum 90 pesos a year; reduced in proportion to pensioner's means.	A number of special national taxes.	Do

¹ Old-age pensions combined with invalidity pensions.² Reduced by 5 years in case of incapacity for work.³ Pension authority recovers amount of pension on death of pensioner or of survivor of married couple.⁴ If authority accepts transfer of house in which pensioner resides, value is disregarded in assessing means and pensioner lives in it rent-free.⁵ Reduced by 3 years in case of incapacity for work.⁶ Pension is varied in accordance with locality in which pensioner lives and is increased if sending in of application for pension is deferred beyond age 65.⁷ Noncontributory pensions being replaced by contributory pensions.⁸ 65 for widow of beneficiary.⁹ Reduced by 5 years for claimants having 2 or more dependent children under 16.¹⁰ Will not go into effect until announced by royal decree.¹¹ Good character.¹² A. Persons of non-European extraction.

B. Aboriginal natives living under tribal conditions.

C. Desertion of spouse.

D. Imprisonment for dishonorable action.

E. Habitual drunkenness.

F. Receipt of poor relief within 3 years of claiming.

G. Receiving help and able to support.

H. Aboriginal natives.

TABLE 18.—*Estimated number of families and children receiving mothers' aid and estimated expenditures for this purpose*¹

State	Number of families receiving mothers' aid	Number of children benefiting from mothers' aid	Estimated present annual expenditures for mothers' aid, local and State		
			Total	Local	State
Total.....	109,036	280,565	\$37,183,684	\$31,121,957	\$6,061,727
Alabama ²					
Arizona.....	106	379	20,940		20,940
Arkansas ²					
California.....	7,056	17,642	3,133,999	224,252	1,909,747
Colorado.....	552	1,435	149,688	149,688	
Connecticut.....	1,271	3,276	734,627	489,752	244,875
Delaware.....	348	855	93,000	46,500	46,500
District of Columbia.....	209	720	143,997	143,997	
Florida.....	2,564	6,164	222,286	222,286	
Georgia ²					
Idaho ²	230	619	36,315	36,315	
Illinois.....	6,217	14,802	1,533,217	1,033,217	500,000
Indiana.....	1,332	3,856	352,224	352,224	
Iowa.....	3,527	9,170	719,772	719,772	
Kansas.....	768	1,997	75,721	75,721	
Kentucky.....	137	356	62,889	62,889	
Louisiana.....	88	229	9,312	9,312	
Maine.....	817	2,124	310,000	155,000	155,000
Maryland.....	267	694	117,459	117,459	
Massachusetts.....	3,939	11,817	2,450,000	1,400,000	1,050,000
Michigan.....	6,938	18,039	2,448,962	2,448,962	
Minnesota.....	3,597	9,152	1,138,176	1,138,176	
Mississippi ²					
Missouri.....	336	874	93,440	93,440	
Montana ²	839	1,969	213,623	213,623	
Nebraska.....	1,654	4,300	272,036	272,036	
Nevada.....	200	520	44,035	44,035	
New Hampshire.....	260	761	82,440		82,440
New Jersey.....	7,711	18,789	2,445,564	2,445,564	
New Mexico ²					
New York.....	23,493	56,524	11,731,176	11,731,176	
North Carolina.....	314	947	58,706	29,353	29,353
North Dakota ²	978	2,644	238,314	238,314	
Ohio.....	8,923	24,470	2,116,908	2,116,908	
Oklahoma ²	1,896	5,166	123,314	123,314	
Oregon.....	1,040	2,259	247,140	247,140	
Pennsylvania.....	7,700	22,587	3,197,640	1,598,820	1,598,820
Rhode Island.....	513	1,666	267,252	133,626	133,626
South Carolina ²					
South Dakota ²	1,290	3,324	285,986	285,986	
Tennessee.....	241	627	71,328	71,328	
Texas.....	332	863	43,987	43,987	
Utah.....	622	1,617	78,651	78,651	
Vermont.....	296	461	46,976	23,488	23,488
Virginia.....	136	545	33,876	16,938	16,938
Washington ²	3,013	7,834	519,538	519,538	
West Virginia.....	108	281	16,086	16,086	
Wisconsin.....	7,173	17,932	2,180,790	1,930,790	250,000
Wyoming ²	95	279	22,294	22,294	

¹ Whenever possible figures were brought up to date as of September 1934.² No mothers' aid law.³ Mothers' aid discontinued.⁴ Estimated on basis of 2.6 children per family, the average rate for 20 States reporting in December 1933.⁵ Estimated on basis of trends in comparable States from which reports have been received.⁶ Law not in operation.

Source: The U. S. Children's Bureau.

TABLE 19.—*Funds for State maternal and child health work*

State	1928			1934	Percent increase 1934 over 1928	Percent decrease 1934 under 1928
	Total funds	Federal	State			
Delaware.....	\$18,008.02	\$11,504.01	\$6,504.01	\$33,000.00	83.3	-----
Pennsylvania.....	132,621.98	68,810.99	63,810.99	197,539.00	48.9	-----
Maine.....	25,000.00	15,000.00	10,000.00	26,300.00	5.2	-----
Massachusetts.....	78,275.00	-----	78,275.00	80,850.00	3.3	-----
New Hampshire.....	20,976.62	12,988.31	7,988.31	21,620.50	3.1	-----
Rhode Island.....	24,276.28	14,076.28	10,200.00	24,065.00	-----	0.9
Illinois.....	70,000.00	-----	70,000.00	69,070.00	-----	1.3
Connecticut.....	¹ 32,760.00	-----	32,760.00	29,392.00	-----	10.3
New Jersey.....	118,163.55	31,284.55	86,879.00	103,872.52	-----	12.1
Wisconsin.....	50,752.00	27,751.62	23,000.38	43,350.00	-----	14.6
Maryland.....	33,554.00	19,277.00	14,277.00	26,844.00	-----	20.0
Minnesota.....	47,000.00	26,099.65	20,900.35	36,000.00	-----	23.4
South Dakota.....	7,500.00	7,500.00	-----	5,000.00	-----	33.3
Arizona.....	19,507.42	12,253.71	7,253.71	12,890.00	-----	33.9
New York.....	210,041.78	80,041.78	130,000.00	134,500.00	-----	36.0
Virginia.....	75,574.00	25,574.00	50,000.00	40,372.00	-----	46.6
Kentucky.....	47,597.48	26,298.64	21,298.84	25,200.00	-----	47.1
Michigan.....	¹ 64,741.11	34,741.11	30,000.00	31,940.00	-----	50.7
Missouri.....	49,186.81	24,186.81	25,000.00	23,799.00	-----	51.6
Texas.....	77,902.52	41,450.52	36,452.00	34,840.00	-----	55.3
Montana.....	24,400.00	13,700.00	10,700.00	10,500.00	-----	57.0
Georgia.....	64,438.89	35,451.10	28,987.79	26,000.00	-----	59.7
North Dakota.....	8,000.00	6,500.00	1,500.00	3,056.00	-----	61.8
North Carolina.....	49,519.66	27,259.56	22,260.00	18,500.00	-----	62.6
Washington.....	8,387.00	5,000.00	3,387.00	3,000.00	-----	64.2
Mississippi.....	49,076.58	22,076.58	27,000.00	15,150.00	-----	69.1
Wyoming.....	¹ 10,000.00	7,500.00	2,500.00	2,500.00	-----	75.0
Louisiana.....	30,042.00	7,521.00	22,521.00	7,000.00	-----	76.7
Kansas.....	35,000.00	20,000.00	15,000.00	8,000.00	-----	77.1
West Virginia.....	40,443.48	19,571.74	20,871.74	9,140.00	-----	77.4
Hawaii.....	18,451.92	11,725.96	6,725.96	4,100.00	-----	77.8
California.....	¹ 57,580.00	31,290.00	26,290.00	12,225.00	-----	78.8
Florida.....	37,906.00	16,531.72	21,374.28	7,330.00	-----	80.7
Ohio.....	53,334.00	23,585.57	29,748.43	10,048.00	-----	81.2
Oregon.....	27,533.46	15,283.46	12,250.00	4,701.00	-----	82.9
Iowa.....	42,298.91	21,085.31	21,213.60	6,660.00	-----	84.3
Idaho.....	12,500.00	7,500.00	5,000.00	1,430.00	-----	88.6
South Carolina.....	37,711.30	21,355.65	16,355.65	2,046.00	-----	94.6
Tennessee.....	55,767.00	25,767.00	30,000.00	2,912.00	-----	94.8
Alabama.....	64,173.90	25,836.95	38,336.95	2,520.00	-----	96.1
Arkansas.....	38,635.02	21,817.51	16,817.51	-----	-----	-----
Colorado.....	15,000.00	10,000.00	5,000.00	-----	-----	-----
Indiana.....	53,897.00	31,927.00	21,970.00	-----	-----	-----
Nebraska.....	17,000.00	11,000.00	6,000.00	-----	-----	-----
Nevada.....	16,044.00	10,522.00	5,522.00	-----	-----	-----
New Mexico.....	19,860.66	12,430.33	7,430.33	-----	-----	-----
Oklahoma.....	42,358.96	23,679.48	18,679.48	-----	-----	-----
Utah.....	20,500.00	12,500.00	8,000.00	-----	-----	-----
Vermont.....	5,000.00	5,000.00	-----	-----	-----	-----

¹ For four States (California, Connecticut, Michigan, and Wyoming), 1929 figures are given.

Source: The U. S. Children's Bureau.

TABLE 20.—*General economic statistics*

INDICES OF BUSINESS CONDITIONS*

(1923-25=100)

	1929	1932	1934 (first 10 months)
1. Index of industrial production ¹	119	64	80
2. Index of factory pay rolls ²	108	45	62
3. Index of factory employment ³	101	62	79
4. Index of freight car-loadings ²	106	56	63
5. Index of department store sales (value) ²	111	69	68
6. Index of construction contracts awarded (value) ³	117	28	33
7. Index of exports (value) ³	115	35	48
8. Index of bank debits outside New York City.....	140	65	69

* *Survey of Current Business*, February 1934, p. 3, and December 1934, p. 3.

¹ Unadjusted for seasonal variation; adjusted for number of working days.

² Unadjusted for seasonal variation.

³ Adjusted for seasonal variation.

TABLE 20.—General economic statistics—Continued

OTHER ECONOMIC DATA

9. Number of gainful workers, September.....	1934..	50,277,000
Estimate of Committee on Economic Security.		
10. Per capita full-time income, wage, and salaried employees.....	1929..	\$1,475
	1932..	\$1,199
<i>National Income, 1929-32</i> , Letter from Acting Secretary of Commerce, S. Doc. 124, 73d Cong., 2d sess., p. 19.		
11. Average weekly factory earnings per wage earner.....	1929..	\$28.54
	1932..	\$17.10
	1934..	\$20.08
<i>Survey Current Business</i> , February 1934, p. 7, and December 1934, p. 7. Data for 1934 for first 10 months.		
12. Index of cost of living (1913=100).....	December 1929..	171
	December 1932..	132
	June 1934..	136
<i>Monthly Labor Review</i> , August 1934, p. 526.		

OLD AGE DATA

13. Population, 1930.....	60 years of age and over..	10,385,026
	65 years of age and over..	6,633,805
	70 years of age and over..	3,863,200
<i>Fifteenth Census of the U. S., 1930, vol. II, Population</i> , p. 576.		
14. Number of old-age pensioners.....	1931..	76,339
	1934..	180,003
Data for 1931 from <i>Monthly Labor Review</i> , June 1932, p. 1261. Data for 1934 com- piled by Committee on Economic Security from latest available information.		
15. Amount paid in old-age pensions.....	1931..	\$16,173,207
	1934..	31,192,492
Data for 1931 from <i>Monthly Labor Review</i> , June 1932, p. 1261. Data for 1934 com- piled by Committee on Economic Security from latest available information.		

NATIONAL INCOME STATISTICS

16. National income paid out.....	1929..	\$82,300,000,000
	1933..	46,800,000,000
<i>The National Income, 1933</i> , release Jan. 14, 1935, p. 6, Department of Commerce.		
17. National income paid out.....	1933..	\$46,800,000,000
Wages and salaries.....		29,300,000,000
Dividends and interest.....		7,300,000,000
Net rents and royalties.....		2,300,000,000
Entrepreneurial withdrawals.....		7,900,000,000
<i>The National Income, 1933</i> , release Jan. 14, 1935, p. 6, Department of Commerce.		
18. National income paid out.....	1932..	\$48,894,000,000
Business savings or losses.....		9,529,000,000
Income produced.....		39,365,000,000
<i>National Income, 1929-32</i> , letter from Acting Secretary of Commerce, S. Doc. 124, 73d Cong., 2d sess., p. 10.		

WHOLESALE, RETAIL, AND MANUFACTURING SALES

19. Net wholesale sales.....	1929..	\$68,950,108,000
	1933..	32,030,504,000
<i>Final United States Summary of Wholesale Trade in 1933</i> , Department of Commerce, Bureau of the Census, p. 7. The 1929 figures have been revised.		
20. Net retail sales.....	1929..	\$49,114,653,000
	1933..	25,037,225,000
<i>United States Summary of the Retail Census for 1933</i> , Department of Commerce, Bureau of the Census, p. 3.		
21. Gross value of manufactured products.....	1929..	\$68,960,909,712
	1933..	31,358,840,392
<i>Census of Manufactures: 1933</i> , Department of Commerce, Bureau of the Census, p. 1. The 1929 figures have been revised.		

LIFE-INSURANCE STATISTICS

22. Aggregate life insurance in force.....	1933..	\$97,985,013,747
Ordinary.....		71,918,829,182
Industrial.....		17,154,472,848
Group.....		8,911,741,717
<i>Spectator Co., Year-Book—Life Insurance</i> , 1934.		
23. Average size of life-insurance policy in force, 1933:		
Ordinary.....		\$2,252
Industrial.....		210
Computed from <i>Spectator Co. Year-Book—Life Insurance</i> , 1934.		
24. Surrendered policies and loans, life insurance.....	1933..	\$4,394,918,987
<i>Spectator Co., Year-Book—Life Insurance</i> , 1934. Also letter from <i>Spectator Co.</i>		

TABLE 20.—*General economic statistics*—Continued

SAVINGS ESTIMATES

25. Annual savings through life insurance.....	1933..	\$2,950,465,899
New premium payments.....		234,954,196
Renewal premium payments.....		2,715,511,703
<i>Spectator Co., Year-Book—Life Insurance, 1934.</i>		

26. Savings and other time deposits.....	1929..	\$28,218,000,000
	1932..	24,281,000,000

Data for all reporting banks in United States.

Statistical Abstract of the United States, 1933, p. 242, table 252.

MR. WITTE. I want to call attention in there, Senator, to table 13, which illustrates a very important point in connection with this old-age problem, that the number of the aged has been increasing rapidly and will continue to increase very rapidly in the years that are ahead of us.

For instance, in 1860, 2.7 percent of the population of the country were 65 years of age and over. Since then each census has shown a larger percentage of the people of this country in the older age groups. In 1920 it was 4.7 percent; in 1930, 5.4 percent. Population statisticians forecast that that percentage will increase to 6.3 percent in 1940, and will continue to increase until by 1980 you will have 11.3 percent of the population over 65, and by the year 2,000, 12.7 percent. At the present time there are 7,000,000 people over 65; by 1960, 13,500,000; by the year 1980, 17,000,000; by the year 2,000, 19,000,000.

SENATOR GORE. Nineteen million over what age?

MR. WITTE. Over 65.

SENATOR CONNALLY. Is that based upon the theory that our other population will also increase, or is it based on longevity?

MR. WITTE. This is a result of the fact that we are approaching what, in terms of the statisticians, is called a "stable population."

SENATOR GORE. Where the births and deaths will nearly balance?

MR. WITTE. All this is based on the assumption that there will be no improvement in longevity; that the present mortality rates will continue. If there is an improvement in mortality rates, the number of the aged will probably be greater, and the percentage will be greater.

Here are some facts which I think will illustrate that, while the estimates of the statisticians may not be exactly correct, they are probably on the right trail. In 1930, the census disclosed fewer children under 5 years of age than there were in 1920. We are rapidly approaching the same sort of a condition that the European countries have reached, the distribution of population as between the younger and the older age groups forecast for this country in 30 years is the distribution of the population in England today; it is the population distribution in France, and in nearly all other western European countries. They have reached earlier than we have this condition of stable population.

We know how many people there are now, let us say, between 20 and 30. Applying the usual mortality tables, we know that 30 years or 40 years from now, when those people will be between 60 and 70, there will be more than twice the number of people between 60 and 70 than are now between 60 and 70. This is due to the changing age composition of our people. Our birth rates have declined, and on the other hand the length of life, the average length of life, has been increasing. Without any further improvement in the mor-

tality rates, we can expect and must look forward to a time which is not very distant—a period distant no longer than 20 or 30 years—when we will have nearly twice as many people in these older age groups than we have now.

Senator GORE. The cost and burden of this old-age pension will be a constantly increasing factor?

Mr. WITTE. The cost of old-age pensions will be higher with the years, and whether you enact a pension law or not, there will be a cost of supporting the aged, because the aged of any generation have to be supported by the other people of that generation except insofar as the aged have made provisions for their own support. To the extent that the aged have not made provisions for their own support, whether any pension legislation is enacted or not, there will be a cost on future generations which will be much greater than the present cost of supporting the aged.

Senator GORE. It will be shifted from the children to the taxpayers under this legislation?

Senator COSTIGAN. Has the experience of other countries, such as Germany, confirmed what you are now saying about the increasing cost of old-age pensions?

Mr. WITTE. Yes, sir. These countries have undergone in the years that have passed, the same thing that faces this country in the next 20 or 30 years—an increasing number of the aged.

The CHAIRMAN. May I ask you—I am just curious to know—how many people there are, say, of 80 years. Are we to expect that people are going to live longer over a certain period?

Mr. WITTE. No; this does not assume that they will live any longer. This assumes no improvement in longevity. This assumes the present mortality rates.

Senator CONNALLY. It does assume that the proportion of old people will increase out of proportion to the increase in the population.

Mr. WITTE. That is due to the fact that the number of young people is no longer increasing.

Senator CONNALLY. That situation cannot go on forever.

Senator GORE. I can see how that would affect the percentage, but I do not see how it would affect the total.

Mr. WITTE. We know now there are so many more people in the age groups between 30 and 40, let us say, than there were in the age group of 30 to 40 thirty years ago. The people that are now between 60 and 70 thirty years ago were 30 to 40. We know now how many people we have in this age group of 30 to 40 who in 30 years will be 60 to 70; and that is twice as many as are now in the 60 to 70 age group.

Senator CONNALLY. If they will all live.

Mr. WITTE. With the same mortality rates we now have, there will be twice as many in this group as now.

That is an important point that must be considered in connection with this problem, that no matter what is done there will be an increasing number of aged, and there is bound to be an increasing cost for the support of the aged.

Also I would like to call attention to this further fact, that the cost of supporting the aged, is necessarily very great. That results from the fact that old age is a long period of time. The present experience tables indicate that a man who reaches the age of 65 on the average

has an expectancy of 11 to 12 years. He can look ahead, if he has average life, to 11 to 12 years more. Women can look ahead to 15 years; that is the average expectancy for a woman who reaches the age of 65. Eleven to 12 years or 15 years is a long period of time for people who do not have any means.

To provide an income of \$25 a month—the very low income of \$25 a month—to a person after the age of 65, taking interest at 3 percent, he must have laid aside \$3,300 by the time he reaches the age of 65, to give him an income of \$25 a month for the balance of his life—the 11 or 12 years that the average man has ahead of him—and a woman will have to have laid aside \$3,600. It is a large sum.

Senator CONNALLY. Have the processes by which man's life has been extended made any improvement in his capacity for work after he reaches 65 or any other age?

Mr. WITTE. I think that the end, Senator, of the working period of life is a little longer than it was in earlier generations, but there are also countervailing tendencies, as you well know, the tendency in certain lines of work to refuse to employ people who are past middle age; but, unquestionably, a person at the present time—the average worker—has a somewhat longer period of working life than he had in 1860.

Senator CONNALLY. It may be that we are working to no real purpose just to extend life if it is to be useless, unless it is to make some valuable contribution to society. What is the value of simply extending it in order to complicate our problems?

Mr. WITTE. That is of course a question of the value of life, and I think you cannot measure it—I am sure you have not that thought—simply in terms of dollars and cents and production.

Senator GORE. This will facilitate the distribution of wealth.

Mr. WITTE. Coming down to this question of how many of the aged are dependent; or did you have another question, Senator?

Senator CONNALLY. No; go right ahead.

Mr. WITTE. Coming to this question of the number of the aged who are dependent: In our report there is a statement which some newspapers completely misinterpreted because they did not look at the very next sentence. The sentence is that conservatively one-half of the people now over 65 need support, are dependent on someone else for support. That does not mean that they are dependent on the public. As we state in our report, the largest number of people who are dependent are supported by their children, and under this legislation they will continue to be supported by their children and should be so supported. The ones who are dependent upon the public for support are a much smaller number.

At this point permit me to give you the approximate number of the aged who are now in receipt of some sort of pension and the number of the aged who are in receipt of public relief. Some of the pensions are earned pensions, in the sense that they are built up by contributions, and some of them not.

There are about 100,000 old people in public almshouses at the present time. Most of those people need not only financial help, most of them also need physical care. There is a somewhat larger number than that in private homes for the aged. Many of these old people in the private homes for the aged are paying their own way or their children are paying their way. Some are charity cases.

There are about 140,000 pensioners under industrial pension plans in this country. Industrial pension plans cover at the present time something like four or five million workers—plans that companies have voluntarily set up—some of which are contributory and some of which are non-contributory. There are about 15,000 pensioners under trade-union plans.

Senator GORE. Fifteen thousand?

Mr. WITTE. Fifteen thousand. About 45,000 people pensioned under the United States Employees Retirement Act, perhaps 5,000 under State retirement acts, 25,000 under teachers' pension laws, and probably an equal number under policemen and firemen pension systems that exist in municipalities.

Of course, a much larger number of people than these age groups—no definite figures—who are in receipt of veterans' pensions.

Senator HASTINGS. Isn't that police group much larger than 25,000?

Mr. WITTE. Actual pensions?

Senator HASTINGS. That are taken care of.

Mr. WITTE. I am citing the figures of those that are actually on pensions. This is not an attempt to state how many people are included within these systems, but this is the number of the pensioners. This is an account of the old people.

There are at the present time under State old-age pension laws, general State old-age pension laws in operation in 28 States. In October of last year, there were 180,000 pensioners under State old-age pension laws.

The number on relief lists is not absolutely known, but based on samples throughout the country, the estimate is arrived at that there are approximately 700,000 people over 65 years of age on relief lists, toward which the Federal Government makes a contribution. In some parts of the country there are a considerable number of the aged who are provided for on local relief without receiving any Federal assistance. That is generally the situation in New England, for instance. In New England most of the old people that are on relief are not on Federal emergency relief, and there are certain other places in the country where the same situation exists. Most of the old people that are on relief are included among those 700,000, but there is an indefinite number beyond that, but probably not in excess of 100,000 or 150,000.

Senator GORE. Have you figured out at all the cost of carrying those 700,000 on relief rolls?

Mr. WITTE. It is difficult to figure it. The average family receives \$23 a month on direct cash relief.

Senator GORE. That is the family?

Mr. WITTE. That is the family, and generally for these old people it means that the grandfather or the grandmother is being taken care of as a member of the family group, although in some cases it means an old couple is itself a family group. As a member of the family group, with an average of \$23 per family, the actual allowances are probably not in excess of \$5 additional for the grandfather or the grandmother per month.

Senator GORE. Five dollars a month. This proposes to make it \$30 as against \$23 for the entire family.

Mr. WITTE. Under relief.

Senator CONNALLY. A moment ago you said there were a definite number of old people now being supported by children, and that they would be continued to be so supported. Is it not a fact and do you not think if we adopt a plan like this, that a great many of those that are now being supported, or similar cases, by the children, will be supported on this roll? That they will be anxious to get them on this roll?

Mr. WITTE. This bill provides that they shall be given support if they have no other means of support. I think that is true, Senator, that in the course of time there might be a tendency toward the increase of some weakening of the willingness of children to support their parents. And this is not merely a matter of willingness. I want to call attention to the terrific havoc that has been created by the present depression. Not only have old people's savings been wiped out, but also in many cases the savings of people who are well along in years. Many of those people have lost their jobs. It is very doubtful whether they can in the remaining years of their life make an adequate provision for old age.

Senator GORE. In not only old age but youth and middle age as well.

Mr. WITTE. Youth has, we hope, a longer period ahead to build in. A man who is now 50, who has been completely wiped out and who has lost his job, unless conditions improve very materially, will have a hard time to make enough of a provision to take care of himself. This affects also the children, Senator.

Senator GORE. On that point, what about superimposing upon them the burden proposed in this legislation? It is a pitiful situation. People have a hard time to feed themselves, and industry is prostrate, organized industry and individual industry, and everybody else, and if you are going to pass on to the people that are already prostrate this additional burden, I was wondering whether it would speed general recovery or not.

Senator HASTINGS. Before you leave this particular point, if you do not mind my interrupting you, because I am anxious to find out as nearly as we can, this number. The statement that you say has been misconstrued by the newspapers in the report, I suppose, is this statement which I quote:

At this time a conservative estimate is that at least one-half of the approximately seven and a half million people over 65 years now living are dependent

* * *

And the next paragraph:

Children, friends, and relatives have borne and still carry the major part of the cost of supporting the aged. Several of the State surveys have disclosed that from 30 to 50 percent of the people over 65 years of age were being supported in this way.

That is from the report. If you take that 30 to 50 percent and figure it at 40 percent of 3,750,000, you will have 1,500,000 of this aged group that are being taken care of by the children.

Mr. WITTE. May I interrupt, Senator? Excuse me.

Senator HASTINGS. Certainly.

Mr. WITTE. That 30 or 50 percent relates to the total number of the aged, not to those that are dependent; it includes those that are supported by their children.

Senator HASTINGS. You state here that a conservative estimate is that at least one-half of the approximately seven and a half million people over 65 years of age now living are dependent. And you state, "children, friends, and relatives have borne and still carry the major part of the cost of supporting the aged." Does that half refer to those that are being supported by the children, or doesn't it?

Mr. WITTE. Yes, it includes those who are being supported by their children.

Senator HASTINGS. What are we to understand is the situation? Do I take 40 percent of the $7\frac{1}{2}$ million, or 3 million, and deduct that from the $3\frac{1}{2}$ million and leaving only one-half million?

Mr. WITTE. Yes, that is roughly the way you do it if you use those figures only, but we also quoted in the report the figure that approximately 700,000 aged over 65 are on Federal emergency relief lists at the present time, also that there are a considerable number of people on local relief lists that are not counted in that 700,000. How many nobody can tell for sure. We estimate between 100,000 and 150,000, which would indicate on relief, roughly, let us say, 850,000. One hundred and eighty thousand more are now in receipt of pensions under general State old-age pension laws which, all of them, are based on need: they are situated much like the people who are on relief. The combined total will give you the old people who have no means of support, whose children either cannot or do not support them—a total of approximately 1 million.

Senator HASTINGS. Do we add that 180,000 to this 850,000?

Mr. WITTE. Yes, sir.

Senator HASTINGS. Do we understand that the best estimate of the committee is that there are a million people over 65 years of age that need help, and not 3,750,000?

Mr. WITTE. That is correct, Senator.

Senator HASTINGS. That is correct?

Mr. WITTE. Yes.

Senator HASTINGS. I am glad to get that information.

Mr. WITTE. Now, I want to say something about State old-age-pension laws if you have no further questions on this matter of dependent aged.

There are at this time 28 States, as well as Alaska and Hawaii, which have State old-age pension laws, general laws, that provide for the payment of pensions to old people who lack the means of support. These laws vary considerably. We have in the statistical data I have submitted, an analysis of these laws for your information. Eight of the laws are optional. They are mostly the older laws. They are optional in this sense, that the counties may or may not, as they see fit, grant old-age pensions, and in all of those 28 States, only some of the counties actually are paying old-age pensions. The other 15 States and the 2 Territories have laws that are statewide in their operation.

Senator GORE. Can you give the States and the age limit?

Mr. WITTE. I will give you that in a minute. Four of the laws are not in operation at this time, and a fifth is, for all practical purposes, not in operation. These are all laws that were enacted in 1933. In 1933 nine State legislatures adopted laws and in 1934 another one was added to this list. The great majority of the old-age-pension laws are of recent origin. There has been quite an increase in the number

of pensioners, despite the financial stringency of the States and counties. A survey made by the American Association for Social Security, which has promoted old-age-pension legislation in this country more than any other organization——

Senator COSTIGAN (interpolating). Is that the organization with which Mr. Epstein is associated?

Mr. WITTE. Yes, sir; in 1933 there were 115,000 pensioners under the State old-age pension laws. A questionnaire which we sent out covering October 1934, 9 months later, disclosed 180,000.

Senator GORE. How much later?

Mr. WITTE. Nine months.

Senator GORE. Due to that tendency, do you not think that you might reasonably assume that the States will take care of this problem themselves?

Mr. WITTE. I think not, Senator, because the situation is that the States, or so many of the States, and the localities are financially unable to carry the load. While the number of pensioners has been increasing during this period, the number of old people on relief has grown probably even more rapidly.

Senator GORE. My point is, the Federal Government is not going to get money except from people who live in these various States.

Mr. WITTE. That, of course, goes to the question of finances; that is a little apart from the question I am taking up right now, if I may be excused.

Senator GORE. I do not want to thrust that into this situation.

Mr. WITTE. In most of the State laws, the counties either have to pay all of the expense or most of the expense. Some laws provide for the State paying all of the expense. That is one reason, Senator, why just leaving the situation the way it is is not likely to prove adequate. So many of the counties are utterly unable to meet that burden at the present time.

On this question of the age that you asked about, 14 States have a 70-year age limit, 1 State has an age limit of 68 and the balance 65. So you have just about half of the group at 70 and half of the group at 65.

Senator GORE. Are there any under 65?

Mr. WITTE. None under 65, except the Territory of Alaska, which has an age limit for women of 60, and 65 for the men.

The CHAIRMAN. What is it in California?

Mr. WITTE. California, I think, has a 70-year limit—yes; it has a 70-year limit.

The CHAIRMAN. What are they paying in California?

Mr. WITTE. The maximum pension in California is \$1 a day.

Senator COSTIGAN. How long a residence is required in California?

Mr. WITTE. Fifteen years.

Senator GORE. There is no way of calculating expectancies and how long it will be if this law is passed, that the age limit will be reduced to 60 from 65.

Mr. WITTE. That will depend on the action of the Congress, I presume.

Senator BLACK. There is no way of figuring either, how many more will be thrown out of employment under 65 or over 65 under the system we have.

The CHAIRMAN. Proceed, Doctor.

Mr. WITTE. The residence requirements—coming to that—are generally 10 or 15 years, and 15 years is more common than 10.

The CHAIRMAN. In this bill you have put it at 10 years—

Mr. WITTE (interrupting). Excuse me, Mr. Chairman. Five, five within the last ten before application.

The CHAIRMAN. It must be 5 years of the 10 years. It does not say it shall be 5 continuous years?

Mr. WITTE. No, sir.

The CHAIRMAN. Do you not think that the bill ought to be changed in some respects in reference to that?

Mr. WITTE. Of course, that is a matter for your decision. The 5-year residence requirement is still quite a long residence requirement.

The CHAIRMAN. Under the bill, if one has lived 5 years in a State, of the 10 years, he could get the pension. Suppose that he had lived there, lived 4½ years in the State but moved back just before this law went into effect, but had prior to that time lived there 5 years, he could come under the provisions?

Mr. WITTE. Yes, sir.

Senator CAPPER. What did you say was the largest amount paid in any State?

Mr. WITTE. The largest amount paid under any State law—I am coming to that in a minute—the largest amount and the most usual amount is \$30 a month, or \$1 a day. There are quite a few States with lower amounts.

Senator CAPPER. That includes both the local payment and the State?

Mr. WITTE. The total payment, Senator.

Senator CAPPER. The total payment?

Mr. WITTE. Yes. The residence requirements are 10 or 15 years, usually. The State of Delaware has a 5-year residence requirement; that is the lowest. In the State of Arizona, 35 years. It has ranged from 5 to 35, with 15 the most common.

The CHAIRMAN. Have many of these States because of the depression, failed to pay these pensions?

Mr. WITTE. Yes, sir. The situation in this depression has been that of an enormous increase in the number of aged who are dependent, who cannot be provided for by their children because their children have lost employment or have lost their savings. This also has been true: There has been a great temptation for the local officials to place the old people on relief rather than to grant them a pension, because on relief the Federal Government has paid the larger part of the cost. On old-age pensions the Federal Government has thus far not paid one cent. This has meant that for every old person or old couple that has been granted an old-age pension, the States and counties have paid the entire expense, whereas in most parts of this country if the couple or the old person has been put on relief, the Federal Government has paid most of the bill. Obviously, the temptation has been to put them on relief.

The CHAIRMAN. Are you putting into the record at this point each State that pays a pension for old age?

Mr. WITTE. We have this in one of the tables which you have permitted me to include as a supplement, this gives a detailed analysis of all existing laws, as well as the latest information on the operation of these laws.

The maximum pension payable is most commonly \$30 a month; some lower. North Dakota, for instance, has a maximum yearly pension of \$150—that is the lowest. There are none higher at this time than \$30 a month.

Senator HASTINGS. A dollar a day?

Mr. WITTE. Yes. It would figure a few dollars more by the day. I am using that as being the same as \$30 per month.

Senator HASTINGS. Yes; because there are still 365 days in a year.

Mr. WITTE. Certainly.

The pensions actually granted vary with the needs of the applicant, and any system of pensions based on need must provide for varying pensions.

The CHAIRMAN. Do not all of these States put it upon the question of need?

Mr. WITTE. Yes, sir; every one of them. The term “old-age pensions” implies need—it implies a person who does not have the means of support, who must be provided for in some fashion. The actual pension will vary with the need.

Senator GORE. Do you know whether there is a tendency or not to divest themselves of their property by such persons in order to qualify?

Mr. WITTE. All State laws make it an offense to do that, and I think, to date, at least, there is very little evidence that people have done that.

Senator GORE. In the home owners loan law that was passed, it tempted a great many to put themselves in a position so that they could qualify as being in distress.

Senator HASTINGS. I did not get your answer to Senator Gore’s question. What is your answer? Do they require them to divest themselves of their property?

Mr. WITTE. No. There are property qualifications in all of the laws to start with. The property qualification usually is not more than \$3,000 of property, but there is a provision in the law—in all of the laws—making it an offense for old people to divest themselves of property in order to qualify for a pension. Likewise, there are provisions in nearly all of the laws under which the States may require assignments of property as a condition of granting a pension, and a provision further that the pensions granted shall be a lien against the estate. That is applied in cases where it develops upon the death of the pensioner that he had undisclosed property. In the case of a person not playing the game squarely or who has not played the game squarely—if it develops that he has undisclosed property—there is a lien for the amount of the pensions paid against the property.

An assignment of the property is required in certain instances. An old couple may have building and loan stock, let us say, which at this time, in many places, is not worth much, but may later have value. They cannot live from the building and loan stock, but that may be taken as security for the pension, so far as it is any security.

Senator GORE. There is nothing in this bill which provides that after the death of the party if they leave an estate it can be applied to the reimbursement of the Government for the pension paid.

Mr. WITTE. Yes, there is a clause in here. There is a section that the State law must require that the amount contributed toward the pension by the Federal Government shall be a lien against the estate of the decedent.

Senator GORE. I knew that was in Senator Capper's bill at the last Congress.

Mr. WITTE. It is in this bill, Senator.

The CHAIRMAN. Is there any discrimination in the States between the sexes?

Mr. WITTE. No, not in the law.

The CHAIRMAN. That applies both to the ladies and the gentlemen?

Mr. WITTE. Yes, sir, and I believe it has never been charged that there is any actual discrimination.

Senator GORE. Suppose an old couple, a husband and wife, would they both be beneficiaries?

Mr. WITTE. They could be. It is a matter of need and their other income.

Senator HASTINGS. Before we leave that question of the assignment of the property that they may own, do these State laws require that they assign that property?

Mr. WITTE. That the administrator may require such assignment.

Senator HASTINGS. That contribution which the State makes is a lien against their estate at the time of their death?

Mr. WITTE. That is substantially true of all of the laws. Without examining that closely, I could not tell you absolutely surely if that is the provision in all of the laws. It is in substantially all of the laws, at least.

Senator CAPPER. Can you express an opinion as to which of these States has passed the most workable old-age pension laws, in the light of the experience that has been had up to this time.

Mr. WITTE. The newer laws are the more liberal laws. Generally I would say the laws of the States of New York and Massachusetts are the two most liberal. They are the laws under which the largest pensions have been paid, and in which the conditions, not with reference to age, the age limits are higher, are the most liberal. With reference to residence qualifications, Delaware has the best law, as well as in many other respects.

Senator GORE. You say the later laws are the most liberal laws?

Mr. WITTE. Yes, sir; the later laws are the most liberal. The older laws were optional county laws. They left it to the counties and the State itself contributed nothing.

Senator GORE. That has been the tendency in the past, to liberalize the laws.

Mr. WITTE. Yes, sir.

Senator GORE. Through experience?

Mr. WITTE. I presume so. The actual amounts of pension paid vary. I want to make that clear. They will vary with the need of the old people. An old couple that live in a rural district and own their own home, as so many old couples do, maybe they own even a little piece of ground, all they will need is something for their groceries and a small allowance for clothing, but after all a much smaller amount than for an old couple that resides in an urban center where they have no home, where rent must be furnished for them, and where fuel must be furnished. It always depends upon the concrete situation. Under all laws the entire income is taken into consideration. They may have a few dollars of income.

Senator GORE. That is under this bill?

Mr. WITTE. This bill provides that the pension shall be an amount which when added to the income of the pensioner shall be sufficient to provide "a reasonable subsistence compatible with decency and health." That is the language of the New York and the Massachusetts laws, and that will vary with the circumstances.

Senator GORE. Farmers are not to be as well treated as the city people?

Mr. WITTE. Oh, yes, they are. As a matter of fact, all statistics indicate that there is a larger proportion of the aged in rural territory, in proportion to the population, than in urban territory.

Senator GORE. Do you mean there are more voters in the country than in the towns?

Mr. WITTE. No; I meant the old people. There is a larger percentage of the old people in the rural territory, in towns and in small villages, than in the urban centers.

Senator CONNALLY. You mean just of the ones that are in want or of the total?

Mr. WITTE. All of them. Under either criteria.

Senator CONNALLY. They live longer in the contry?

Mr. WITTE. That is probably true. And I presume old couples are not as much attracted by the bright lights of the cities as the other people. They are more contented to remain in the rural areas.

Senator CONNALLY. If they have remained in the rural areas until they are old, they have no business going to town then.

Mr. WITTE. No; they have not.

Senator HASTINGS. I understood from Senator Wagner's testimony yesterday that under this bill it was contemplated that the Federal Government would contribute \$15 per month, and all the States that participated in that Federal fund would also have to contribute at least \$15, but that it was left to the Administrator to say whether \$15 per month for that particular State contributed by the State was sufficient to keep that person in health and decency as required by this statute.

Mr. WITTE. This statute requires that the State law, in order to get credit, in order to be entitled to any Federal aid, must give the old couple or the old person a sufficient pension which, "when joined with the income of that person and the person's spouse," is adequate "to provide a reasonable subsistence compatible with decency and health." That may be \$10 in certain circumstances and the total cost may be \$10, or it may be even less, because there may be other income sufficient except for a few dollars lacking to provide for that old couple. There is nothing in the bill that in all cases there must be \$15 contributed by the State, and it may be considerably more than \$30 total. In an urban center it is more than \$30 on the average.

Senator HASTINGS. I got the distinct impression that every State must contribute at least \$15 before they can participate in this Federal fund. You say that is not so.

Mr. WITTE. That is not true, I think. No.

Senator HASTINGS. Are you quite certain of that?

Mr. WITTE. Yes, sir.

Senator HASTINGS. So that the administrator of this law may decide that one State shall contribute \$5. Does that mean that the Federal Treasury will contribute only \$5 or will it contribute \$15?

Mr. WITTE. The Federal Treasury contributes one-half of the amount contributed by the State up to \$15.

Senator HASTINGS. Up to \$15?

Mr. WITTE. Up to \$15. And, Senator, the provision is not that the State must pay a flat \$5 pension or any flat amount. This bill contemplates a supplement to the person's income sufficient to support him in decency and health. That will vary with different circumstances.

Senator HASTINGS. You mean in the same State?

Mr. WITTE. In the same State and in the same community.

Senator HASTINGS. So that the suggestion made by Senator Gore that you would not pay the man in the country perhaps as much as you paid the man in the city, is really a serious question.

Mr. WITTE. That would be the case, certainly. Where you have to provide rent, Senator, it is a different matter from than where you have to provide no rent.

Senator HASTINGS. You mean that under this bill the Federal administrator must ascertain for himself whether or not the various amounts paid to various people in a particular State comes within the definition of a decent living and whatever the language is.

Mr. WITTE. Not in each case, Senator. This contemplates that the State law must include a provision like this Federal standard. The State of New York and the State of Massachusetts now have this language. This is the language from the New York and Massachusetts laws. The State of California, my own State, Wisconsin, have laws which say \$30 a month. That sort of a law probably will not comply with this requirement. We expect that the States that now have definite limits will substitute a standard that is flexible—a statute which says that the old person should receive an allowance which with his own income and that of his spouse will be sufficient "to provide a reasonable subsistence compatible with decency and health". The Federal Administrator will judge, generally, whether that is being complied with. There is no thought that they will check every case. That sort of a machinery is not contemplated.

Senator HASTINGS. How many of these States that now provide pensions provide for varying amounts?

Mr. WITTE. All of them.

Senator HASTINGS. All of them do?

Mr. WITTE. That is the concept of an old-age pension.

Senator HASTINGS. It is not uniform?

Mr. WITTE. No, it is not uniform.

Senator HASTINGS. And the amounts that you have mentioned have been maximum amounts?

Mr. WITTE. That is it. I have the actual amounts here. I want to come to that right now if I may.

Senator BYRD. Do you agree with Senator Wagner that the minimum of \$40 should be paid by the State and the Federal Government?

Mr. WITTE. In all cases?

Senator BYRD. Yes.

Mr. WITTE. That is contrary to the general concept and what old-age pension laws provide. Old-age pensions have been a supplement to other income in an amount sufficient to support old people in reasonable decency. That will vary with what income they themselves have. That will vary with the conditions under which they live.

Senator BYRD. Senator Wagner stated, as I understood him yesterday, that a minimum of \$40 should be paid to each old person provided they have no other income.

Mr. WITTE. That might be his opinion. This bill does not require it.

Senator BYRD. I ask you whether you agree with that from your investigation.

Mr. WITTE. That probably is a proper payment in many situations. In the city of New York the average pension has been \$40 a month or a little better, while in New York State as a whole the average has been \$22.16, because obviously it costs a great deal more for an old couple to live in New York City particularly if they do not own their own home, as most people in New York City do not. The public has to provide that if there is no other means of support.

Senator COSTIGAN. Do you regard a minimum of \$40 as excessive in any part of the United States?

Mr. WITTE. You mean with all other income taken into consideration?

Senator COSTIGAN. Taking that as the absolute income.

Mr. WITTE. You still would deduct, Senator, I take it, the income of the couple which they themselves might have?

Senator COSTIGAN. Certainly.

Mr. WITTE. That would still vary the pension. The pension might be only a dollar.

Senator COSTIGAN. But do you regard a total minimum of \$40 as excessive?

Mr. WITTE. I do not think it is excessive; no.

Senator COSTIGAN. In any part of the United States?

Mr. WITTE. If you can afford it.

Senator GORE. What about \$200.

(Laughter.)

Senator HASTINGS. Doctor, before you leave this——

Senator GORE (interposing). I want the gentleman's smile to go into the record.

Senator HASTINGS. With reference to what Senator Byrd said was Senator Wagner's statement, I would like to read this statement from Senator Wagner's testimony and see if there is any part of it that you disagree with. It take it that you do. I am quoting from page 13:

It is impossible to calculate the precise sums required for this task. Opinions will vary greatly as to what constitutes fair standards of health and decency. But if we accept \$40 per month per person as an immediate minimum goal, our 3,500,000 dependent old people need assistance to the extent of \$1,680,000,000 per year. And this need will mount with alarming rapidity.

I take it that in view of your testimony you do not agree with the number because you said that the number is approximately 1,000,000 persons.

Mr. WITTE. I do not think I differ with Senator Wagner. Senator Wagner does not say that this is to come from the public treasury. There are approximately 3,500,000 people who, from their own means, have not sufficient to live on, but most of them are being supported by their children and relatives and friends. The bulk of this cost is now being borne and will continue to be borne by the children and relatives.

Senator HASTINGS. So you do not think Senator Wagner intended to imply that it was necessary to appropriate from some public funds from the Federal and the State treasuries, \$1,680,000,000 a year.

Mr. WITTE. I am very certain the Senator could not have meant that.

Senator BYRD. Doctor, I would like to ask this question: To what extent is the ability of the children, the sons and the daughters, to support their families, considered when the sons and the daughters are not under the roof of the parents?

Mr. WITTE. If they are not under the roof of the parents, in most States it is a requirement of the State statutes—not of the old-age pension laws, but, I think, in all States, it is a requirement of the general laws of the State—a provision in the poor laws—that children must support their parents if they have the financial ability to do so.

Senator CONNALLY. Children that have been emancipated and over 21 years of age?

Mr. WITTE. Yes; that is the general requirement. And that requirement is legally enforceable in most States. It is in our State.

Senator GORE. I know an institution which I won't mention—it is a home for the aged, which includes men and women. Some of them, in addition to their support, get a little pension of about \$10 a month. When those checks are received, their children drive in, some of them as many as a hundred miles, to take these miserable little checks from the withered fingers of these old octogenarians.

Senator CONNALLY. That institution is not in my State, I may say.

Mr. WITTE. The children can be legally made to support them. The question that you raise, Senator, is what happens if there are children, for instance in another State, who won't support their parents, although they are able to? Obviously, the public cannot leave these old people to starve. It has to take care of them, and there are instances of children, unfortunately, who act as Senator Gore described, and in that instance, I think that we will all agree that, no matter how badly the children act, the public, if the old people have nothing to live on, must step in. It, however, is a right of the State to recover from the children in practically every State of the Union, if not in all of them.

Senator BYRD. What I want to be very clear in my own mind upon is this: If these old people applying for a pension have a son or daughter with enough property to support them or enough income, they will be denied a pension even though that son and daughter have left the home and have other obligations?

Mr. WITTE. They can enforce it.

Senator BYRD. Is it proposed to do so under this legislation that you have here?

Mr. WITTE. This legislation takes into account the actual situation and leaves it up to the State administration to take the proper steps to enforce the obligation of the children to support their parents. If, in fact, there are some old people who, although their children are able to support them, are living in dire want, I think any humane administrator will take care of them and then try to proceed to recover the money from the children. You would have to take care of them first; you cannot let the old people starve.

Senator BYRD. As a matter of fact, you have dictatorial power in this legislation over what the State is permitted to do. You can

deny the entire payment to the State, even though this money comes from the State originally and goes into the Federal Treasury, you can refuse to have it go back to a State unless the State does the things which your dictator under this bill sets up. Isn't that true?

Mr. WITTE. The pension must be an amount adequate to support the old couple in decency and health.

Senator BYRD. The administrator in Washington is to be the sole judge as to whether or not a State receives any of this appropriation from the Federal Government; isn't that correct?

Mr. WITTE. I presume so. It is the same clause, the same sort of standards you have for all kinds of aid. You have provisions, for instance, in your highway grants of aid to the States, that the State must comply with the prescribed standards, and as a matter of fact, I think, no instance has yet occurred where a State has been denied its allotments.

Senator BYRD. Yes; but I am answering the statement which you make, in which you state that the States have a right to establish the regulations. As a matter of fact, the Federal Government, through the administrator, establishes them, and you are coercing the States to do what the Federal Government desires, although the money originally comes from the States.

Mr. WITTE. We have very few standards. I think I can elaborate on those in a moment, when I reach those. There are relatively few standards.

Senator COSTIGAN. The great merit of such legislation is that it tends to bring about uniformity of standards in all the States.

Mr. WITTE. Certainly. I was at the point of the actual pensions paid. I think that is an important point. As the Senator stated here, these are maximum amounts. The actual pensions paid in 1933, as this survey of the American Association for Social Security indicated, were on the average slightly more than \$19 a month. That was the actual pension paid in all pension cases in the country. That average ranged from \$24.35 in Massachusetts, \$22.16 in New York, down to \$6.13 in Indiana.

The total cost at this time, based on our questionnaire—the total cost of the pensions paid to the 180,000 pensioners on the rolls in October 1934 was \$31,000,000, in round numbers. That is the amount that the State and local governments actually expended for old-age pensions. The average cost in October 1934 was slightly less than \$19. It has tended to go down rather than up, with the financial stringency of the States and counties.

That is an average. Individual cases run much higher. In New York City the average is \$40 a month, or a little more than \$40. In New York State as a whole it is \$22.16, but it is nearly double that amount in New York City where it costs more for old people to live.

Senator HASTINGS. What is the maximum in New York?

Mr. WITTE. The maximum in New York is this standard we have in the law.

Senator HASTINGS. Without naming an amount?

Mr. WITTE. Without naming any amount. "A reasonable subsistence compatible with decency and health", is the language of the New York and Massachusetts laws, and it is the language of this bill.

The CHAIRMAN. This would not take away from them the right to pay what they are paying now, but the Federal Government could go up and match it up to \$15?

MR. WITTE. That is right.

THE CHAIRMAN. But it is possible for one getting \$40 in New York State now to get \$55?

MR. WITTE. I think there are individual cases in which they will get as much as \$60, depending entirely on their circumstances. There are some old people that still have dependent upon them some young people. There are grandparents that are supporting young people—where there is a family unit in which the head of the family is a grandfather who is supporting some grandchildren that are left by a daughter that has died, for instance. There are circumstances in which the total allowance to take care of that family must be considerably more than \$30. There are plenty of other cases where there is some other income, and the allowance can be a small amount to supplement such income.

SENATOR BYRD. do I understand, Doctor, that this Administrator has supreme power to deny a sovereign State of this Union any benefits of this pension system at all unless that State complies with the regulations that he makes and he thinks are proper.

MR. WITTE. That is putting that in little stronger terms than I would.

SENATOR BYRD. Is that not the truth under this legislation if it is enacted as it now is?

MR. WITTE. Perhaps, theoretically, so.

SENATOR BYRD. Not theoretically. You are writing a law.

MR. WITTE. You have the same thing in other instances——

SENATOR BYRD (interrupting): I want a simple answer to my question, whether or not the Administrator can refuse any part of this appropriation to a State if that State does not comply with regulations which he desires.

MR. WITTE. Does not comply with the regulations prescribed in the statute; not the regulations he desires. The standards prescribed in this law.

SENATOR BYRD. The statutes do not go into details as to what is a standard of decent living. He can say what a standard of decent living is, as to how much each pensioner should obtain if the State does not provide that additional money, and then, as I understand it, the entire appropriation is denied to that particular State. Is that true?

MR. WITTE. If a State law does not pay pensions adequate; but as I say, it is for the provision of a reasonable subsistence compatible with decency and health.

SENATOR BYRD. Who determines the standards of decency and health?

MR. WITTE. In the first instance, the State administration. The general question whether a particular State meets these standards will be decided by the Federal Government and the representative of the Federal Government.

THE CHAIRMAN. Is not the proposition that you have certain rules and regulations laid down in the law?

MR. WITTE. In the law itself.

THE CHAIRMAN. As the State comes within the purview of the proposition, they must present their plan to the administrator and obtain his approval before the Federal aid goes to them, is that not the case?

Mr. WITTE. That is the case.

Senator BYRD. With all due respect to the distinguished chairman of this committee, as I understand the bill, it gives to the Federal administrator the right to set up certain standards of living, and if those standards of living are not complied with, then that particular State is denied any appropriation from this fund, and I would like to have the witness answer the question yes or no.

The CHAIRMAN. What do you say to that?

Mr. WITTE. I do not know that I can answer it yes or no, but if I answered it in those terms, I would say no, Senator. There is no authority here to the Administrator to set up rules and regulations saying what shall be deemed an adequate standard of health. There is no such authority in the bill.

Senator BYRD. But there is authority for the Administrator to deny a State an appropriation unless he thinks that what that State is doing is what he regards as right in that respect.

Mr. WITTE. This bill, Senator, contemplates—this appropriation will take effect July 1, 1936. Your State of Virginia passes an old-age pension law. Let us say that the law is passed this winter. It submits that law to the Administrator prior to July 1, 1936. He takes a look at the law and determines whether the four standards of the law in here are in that act, and if it complies with that act he sets aside, he is required to, under this bill, set aside an allotment for that State. There is a clause in here under which the Administrator may stop a payment, may stop future payments if the State violates these standards.

Senator BYRD. In other words, the Administrator becomes the dictator of State legislation, by your own statement.

Mr. WITTE. The law requires standards. The standards are in the law.

Senator BYRD. A sovereign State must submit to the Federal Administrator a copy of the legislation before it is passed to ascertain whether or not he approves it.

Mr. WITTE. That is the same provision you have in all other acts.

Senator HASTINGS. Let me see whether by reading this law it will not make perfectly clear what is contemplated. It is found in section 4 of the act. It says on page 3 [reading]:

A State plan for old-age assistance, offered by the State authority for approval, shall be approved by the Administrator only if such plan—

and the particular paragraph is paragraph E on line 18—

shall be approved by the Administrator only if such plan furnishes assistance at least great enough to provide, when added to the income of the aged recipient, a reasonable subsistence compatible with decency and health.

That is a part of it. And then it continues:

And whether or not it denies assistance to any aged persons, at least does not deny assistance to any person who has resided in the State for 5 years or more within the 10 years immediately preceding application for assistance.

And

Third: Has an income which when joined with the income of such person's spouse, is inadequate to provide a reasonable subsistence compatible with decency and health and is over 65 years of age,

et cetera.

That is the provision which Senator Byrd is talking about.

Mr. WITTE. Yes.

Senator GORE. It seems to me the point in that is who is to define and interpret the phrase "decency and health", and then who is to decide whether the State law is compatible with the standard so fixed.

Mr. WITTE. The State law, Senator, states, as do the Massachusetts and New York laws—it is obvious that the Administrator at the outset would have to say that New York and Massachusetts and any other State that writes that standard into its law is complying with the law. A situation might arise where a State subsequently—it is not likely to arise, but it might arise—in which a State despite this law paid pensions which obviously did not comply with its own act. The Administrator could conceivably refuse an allowance. What I mean is this: I want to illustrate that a little. In the State of Nebraska, because of the very bad conditions that have existed due to the drought, under a new law that was enacted in 1933 pensions had been paid of \$2 a month in many of the counties. I think in a situation like that there would be a question whether the Federal Government should match that \$2 by \$1, and there might be a question whether that was complying with the law. There is not any question that any Administrator could not refuse a State the credit because he thought \$24 on the average was inadequate.

Senator HASTINGS. He would have to, under this law. He would have to refuse to match it under this law.

Senator GORE. Why did you say Nebraska pays so low an amount as \$2 a month?

Mr. WITTE. It is a law that came into operation this year. It is supported by the counties only, and many of the counties are absolutely broke; Nebraska being in the condition it is in due to the drought.

Senator GORE. Is it your contention, then, that under this law that the National Administrator of this law ought to make those counties, whether they can or not, provide a larger amount than \$2?

Senator COSTIGAN. As a condition of advancing their proportion.

Senator GORE. You say that they cannot because they are broke. I do not know whether that would be regarded as a good excuse or not.

Senator HASTINGS. What is your understanding under this law? Could you say that the Federal Administrator would match it or could match it under those circumstances?

Mr. WITTE. I would like to start with the beginning. Start off with the very beginning of this act, July 1, 1935. If you will look at section 6, you have there a provision that the Administrator is to make an allotment at the beginning of the year to the State. There has not been any administration at the beginning of the year. The State submits its law and this law contains this provision. The Administrator at that stage certainly cannot say, "I refuse to set up an allotment for this State that has this provision in the law." It could not say that the State of Virginia, for instance, having that provision, is not entitled to any allotment. The statute says that he shall set it up. The State draws monthly on that allotment, but there is this clause in the bill that the Administrator may withdraw—section 7—the only clause that could come into the picture:

The Administrator may withdraw his approval of a State plan, if after his approval thereof such plan fails to comply with the conditions specified in section 3 of this act.

An in section 3 of this act is the provision which says that they must provide a pension to people who are over 65 years of age and who are not inmates of institutions. That is the only condition.

Senator HASTINGS. Decency and health is in it, isn't it?

Mr. WITTE. Yes.

Senator BYRD. In the original instance, the approval must first be obtained from the Federal Administrator as to the details and as to the amount of money that the State will furnish?

Mr. WITTE. No; not as to the details and the amount of money. Matching the allotment that the Federal Government sets up is determined by the amount that the State has appropriated. The only question that will be before the Administrator at the beginning is: Does the law of the State of Virginia, or any other State, comply with the standards? Is that in the law? Is it there? He has nothing else to judge by. The State of Virginia has a law, let us assume, that as written, puts these standards into its law.

Senator BYRD. Let us say that Senator Wagner, who is the chief proponent of this legislation, is correct when he says that there should be a minimum payment from all sources of \$40 a month, which under this legislation requires \$15 from the Federal Government and \$25 from the State governments. If the Administrator agrees with Senator Wagner, is it not true then that he could deny a State any part of this appropriation unless that State contributed \$25, or unless the total income of the old-age pension amounted to \$40?

Mr. WITTE. He certainly could not at the outset. That is very obvious. The allotment must be set up. It will be drawn on monthly on the basis of the actual expenditures of the State. There is a clause that if the Administrator believes that the State is not complying with these conditions, the payments may be stopped.

Senator BYRD. Just answer this, please. I have not had an opportunity to read the legislation carefully and you have. Is it true that the Administrator can set up a standard of decent living if he so disposes, at \$40, or \$50, or \$60 a month?

Mr. WITTE. I think not. I see no authority in the bill that he can do so.

Senator BLACK. May I ask just this one question? I am not sure but I think we can clear this up. This bill specifically provides certain things. I do not know what you think it does provide. You are not a lawyer?

Mr. WITTE. No, sir.

Senator BLACK. This bill does specifically provide beyond the shadow of a doubt that the plans can be approved if they furnish assistance at least great enough to provide, when added to the income of the aged recipient, a reasonable subsistence compatible with decency and health, and it does undoubtedly provide that in case it fails to meet that requirement, the Administrator can notify the State authorities and shall notify the Secretary of the Treasury to withhold payments to such State. Undoubtedly the law as written, whatever may be intended, gives to the Federal Administrator the right if the State of Virginia, as suggested by the Senator, declines to pay \$40 and if the Administrator feels or believes that anything under that amount will not probably take care of the aged in line with his views that he can stop paying, and the question is, is that what is intended by the

bill and is that what you understood? Do the committee on social security want a law which does give that authority to the Federal Administrator, because this one does.

Senator HASTINGS. That is Senator Wagner's interpretation of it, too.

Senator BLACK. Oh, yes. There is no question but what this one does.

Mr. WITTE. It is the same provision that you have in all kinds of aid laws. As a matter of fact, you have had a wealth of experience, and you Senators can judge much better than I whether this clause will mean that sort of interference or not.

Senator BLACK. Do you think it should mean that? That is the question?

Mr. WITTE. I think it should mean that if a State actually pays \$2, that the Federal Government should not attempt to match amounts of that sort, and if it pays any reasonable amount, the Federal Government, any Federal Administrator, I think, would not as a matter of fact interfere with the State's judgment in the matter.

Senator BLACK. Then you do favor—because it seems to me it is a question for the committee and the Senate to determine whether they want that—but you do favor giving such authority to the Federal Administrator, so that if a State fails to meet what the Federal Administrator feels to be necessary for decent subsistence, that he could decline to match it with Federal funds. That is the idea of the bill? That is your idea as to what the bill should contain?

Mr. WITTE. Certainly. Just as you do with highway aid and every other aid.

Senator BLACK. That is one of the standards that is set up, and it is recommended that the law provides that the Federal Administrator can determine whether or not the State is meeting that standard? That is what it does do? I do not think there is any question about that, just as stated by Senator Byrd.

Senator GORE. Does this mean that these broke counties in Nebraska, if they did not put up \$25 a month, that the Federal Administrator could withhold the \$15 under this?

Mr. WITTE. There is no \$15 or \$25 in this bill.

Senator HASTINGS. A maximum of \$15.

Mr. WITTE. A maximum of \$15 for the Federal Government.

The CHAIRMAN. I believe that for the record, in order to clarify Senator Wagner's statement, I should read briefly from his testimony.

Senator HASTINGS. Senator Wagner, do I understand that if a State should find itself in a position where it could not raise more than \$15 a month which is admitted would not apply to the requirements here—

Senator WAGNER (interrupting). That is not admitted.

Senator HASTINGS. I got the distinct impression that it took \$40 a month to make a decent living within the definition of this bill.

Senator WAGNER. I think I said to Senator Couzens that there are different sections of the country in which the economic conditions are different, and undoubtedly in some localities \$30 would go further than \$40 would in other localities. So that I distinctly said that I think it is uniform to make a uniform and fixed rule as to that. If my own opinion were asked and I were to say, I would like to give \$40.

Senator HASTINGS. What page is that on?

The CHAIRMAN. Page 25.

Senator BYRD. What was the purpose in having the appointment of the Administrator and a social board chosen solely by the Executive without the consent and approval of the Senate?

Mr. WITTE. I do not get that, sir.

Senator BYRD. Should not the nomination to this important office be approved?

Mr. WITTE. This does not state how the Federal Emergency Relief Administrator shall be appointed.

Senator BYRD. You are going into a permanent proposition now that is going to last for generations to come. It seems to me he should be approved by the Senate just as the Cabinet officers are and the other important officers of the Government. I would like to know why it was done as it was.

Mr. WITTE. This is not a statute setting up the Federal Emergency Relief Administration. Your act set it up previously, and this does provide that in the event that the Federal Relief Administration ceases to exist, then its functions under this bill may be transferred to some other governmental department.

Senator BYRD. You regard this as a permanent department of the Government for generations to come, do you not?

Mr. WITTE. Administration of the pensions is not work for one department. This will be one function of one department, Senator.

Senator BYRD. Under what department will it function?

Mr. WITTE. As this act stands now, under the Federal Relief Administration and its successors, whoever Congress may designate as its successors.

Senator GORE. That would be the successor of Mr. Hopkins in case he retired, probably.

Senator COSTIGAN. Senator Wagner said, continuing what the chairman read a moment ago:

How else can we work it? We have to put large responsibility somewhere. You have to trust somebody in these matters. We cannot sit here and pass upon each individual case as legislators.

Is that your own judgment?

Mr. WITTE. Yes; somebody must judge. That does not mean every case, but it does mean that in a situation where it is very evident that a State is not complying with the Federal standards—where, for instance, although it has a statute which says, "We will pay a pension to people under 70 years of age", nobody in the State ever receives a pension who is under 75—obviously in such a situation the administration would have a right to stop the allotments to that State. I think it is certainly questionable whether the Congress would want to appropriate those funds when a State, despite the fact that its law provided that a pension shall be paid to those over 70, actually did not pay any pension to those who were under 75.

Senator COSTIGAN. It is then your judgment that the section is desirable and of advantage to the State of Virginia rather than a disadvantage.

Mr. WITTE. That is my thought. It will secure a degree of uniformity, as similar provisions in other aid laws have secured. In actual practice I think that no Administrator will act unreasonably. I think you have to place reliance on your public officials to act within reason.

Senator BYRD. You are clear in your own mind now that this act does give the Administrator right in the first instance——

Mr. WITTE (interrupting). Not the first time. The first time there is nothing that he can do except look at the law.

Senator BYRD. He can determine whether the State legislation sets up a decent standard of living. If it does not do that in his judgment, then he can deny the contribution of that State. You admitted that a little while ago in answer to a question from Senator Black, so I hope that your mind is still clear on that.

Mr. WITTE. If the State law provides, as does the State law of Massachusetts and of New York, the Administrator obviously would have to approve the law.

Senator BYRD. In other words, you start off with the first proposition that the legislation passed by the States must be approved by the Federal Administrator before that particular State can receive any benefits from this appropriation. There is no difference between us on that.

The CHAIRMAN. There is no doubt about that is there, Doctor Witte?

Mr. WITTE. Obviously somebody has to determine whether these States are——

Senator BYRD (interrupting). You said a little while ago that that was not the case and I want to be certain that you and I agree on that, because to me that is a very important question.

Mr. WITTE. All you have to do is to write three lines in your Virginia law to meet that. If those lines are in there, you are all right.

Senator BLACK. That would mean if he writes the lines that you state, if he writes these words, then they have met it in the initial outset.

Mr. WITTE. Certainly.

Senator BLACK. If he simply puts in the law that the State shall pay a reasonable subsistence compatible with decency and health. That is correct as to the initial passage of the law?

Mr. WITTE. Certainly.

Senator BLACK. If after that the State of Virginia should conclude to pay only \$10 a month and the Federal Administrator concluded that that was not sufficient to give reasonable subsistence compatible with decency and health, then the Federal Administrator could in his discretion cut off the payments from the Federal Government to the State of Virginia.

Mr. WITTE. Yes, sir.

Senator BLACK. That is correct?

Mr. WITTE. Yes, sir.

Senator BYRD. That is not what I understand. He will be forced to do that because the State has to contribute \$15.

Mr. WITTE. No; that is a mistake. That is not in the law.

Senator HASTINGS. Doctor, I would like to ask you this question——

Senator BYRD (interrupting). Excuse me, Senator. Can I get this clear? Do I understand then that the Federal Government would contribute more than the State would contribute?

Mr. WITTE. No.

Senator BYRD. In other words, could the State contribute \$10?

Mr. WITTE. The State might contribute \$5 and the Federal Government might contribute \$5, and that might be adequate. It will, in many cases.

Senator BYRD. That is true, but it goes back to the other proposition that you could set the standard of living at \$40 or \$50 in the judgment and discretion of the Administrator. I am speaking as a matter of law and not what the Administrator will do. I am assuming that he is in sympathy with Senator Wagner who is the chief exponent and perhaps the greatest student of this legislation. But if the State administrator should fix it at \$40 he could deny Virginia a part of this under those conditions; is that true?

Mr. WITTE. It might be. But I say there is no authority in the Administrator to say that \$40 is the minimum. That is not it. He has to make a finding; he will have to determine that Virginia is not providing "a reasonable subsistence compatible with decency and health." That means a varying amount under varying conditions.

Senator BYRD. Still it gets down to the dollars and cents of what you regard as a standard of living and what creates that standard of living, and that is money; therefore you have to get down to the amount of money which is contributed by the State, which is a definite amount.

Senator HASTINGS. I would like to inquire, from the committee's point of view, what is the objection in the illustration that you have given where, because of the serious conditions Nebraska found itself able only to pay \$2 a month. What is the objection to the Federal Government contributing a like amount of \$2 a month when it is shown conclusively that that is all that the State could afford to pay? Is that not all the more reason why the Federal Government should contribute when the State has gotten to a position where it cannot pay more than a small sum like that?

Mr. WITTE. If you state it like that, that would be correct, if actually that was all that they could pay. We now know through experience with emergency relief—we have had the same situation with reference to emergency relief, the Administrator has discretion to require—in fact he has much wider discretion than he has under this bill—and under that bill we know that some communities have not done their fair share. If this is all they can actually do, that is one thing.

Senator HASTINGS. This law does not permit the Administrator, though, to contribute under circumstances like that.

Mr. WITTE. Yes, it does.

Senator HASTINGS. Well, no; it does not.

Mr. WITTE. He has to stop, you mean?

Senator HASTINGS. He has to stop.

Mr. WITTE. It is in his discretion.

Senator HASTINGS. Oh, no, not at all.

Mr. WITTE. Section 7, Senator.

Senator HASTINGS. Oh, yes. You mean it is in his discretion?

Mr. WITTE. The only case, as this discussion has brought out, is that after an allotment has been made, the Administrator may stop the allotment. The Administrator may withdraw his approval of the State plan if after his approval thereof such plan fails to comply with the conditions specified in section 3 of this act. In cases of such withdrawal, he shall notify the local authorities.

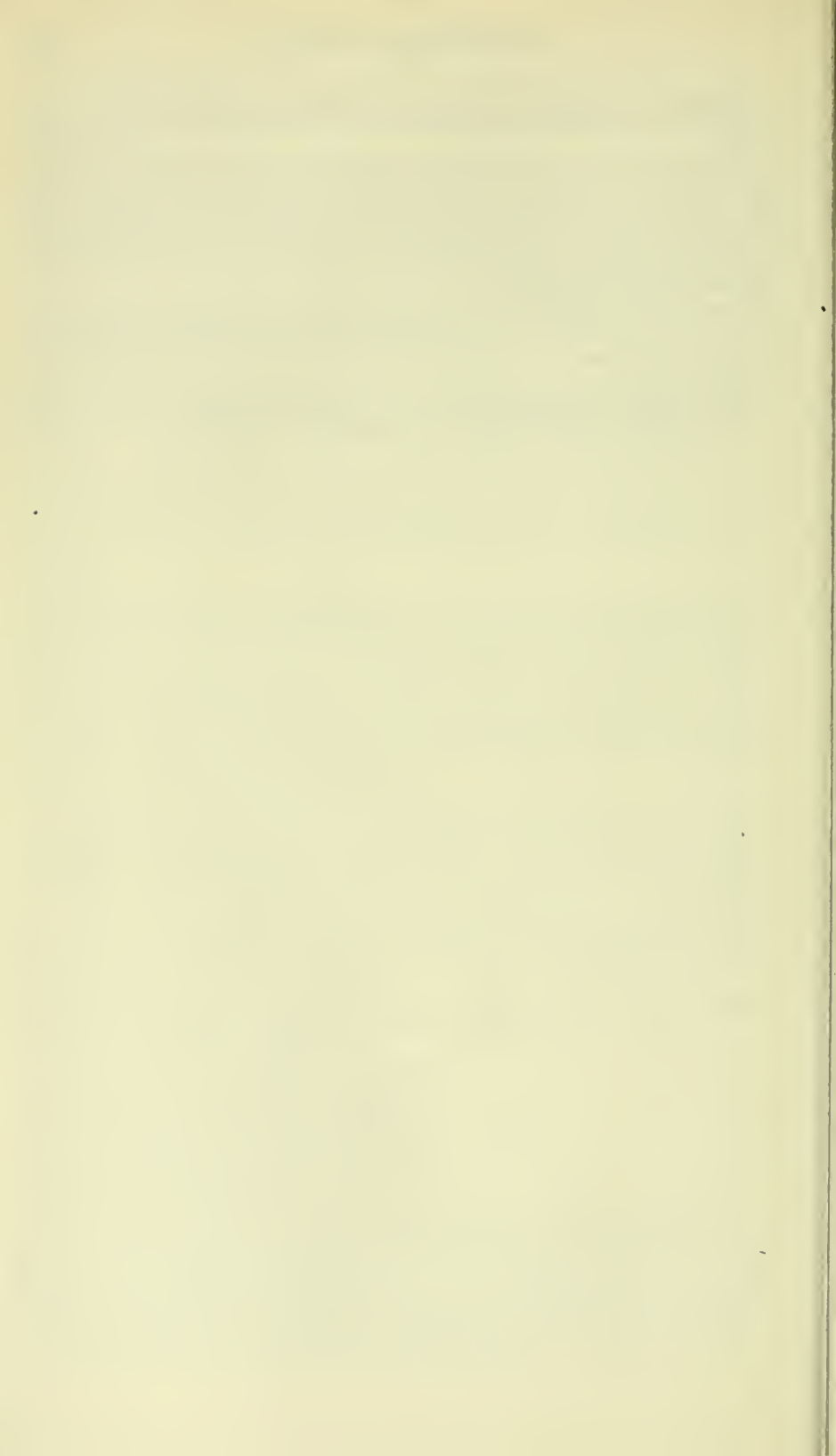
Senator HASTINGS. That is an additional power given him.

Mr. WITTE. That is the only power that he has to stop this allotment.

The CHAIRMAN. Dr. Witte, the committee will appreciate it if you can return in the morning. Miss Perkins has been before the House Ways and Means Committee, and it is rather late now, and we will hear Miss Perkins Friday morning. That will be more convenient to her, and Mr. Green, of the American Federation of Labor, will be here in the morning also.

I would like for the committee to go into executive session for a few minutes. There is a matter of some importance which I want to take up with them. We will adjourn now until tomorrow morning at 10 o'clock.

(Whereupon, at 11:50 a. m., an adjournment was taken until 10 a. m. of the following day, Thursday, Jan. 24, 1935.)



ECONOMIC SECURITY ACT

THURSDAY, JANUARY 24, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in the Finance Committee room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

Present: Senators Harrison (chairman), King, Barkley, Connally, Gore, Costigan, Clark, Byrd, Lonergan, Black, Gerry, Guffey, Keves, La Follette, Hastings, and Capper.

The CHAIRMAN. All right Mr. Witte, we will proceed.

STATEMENT OF EDWIN E. WITTE, EXECUTIVE DIRECTOR COMMITTEE ON ECONOMIC SECURITY—Resumed

Mr. WITTE. With reference to the matter that was discussed yesterday, the matter of standards and administrative control over the standards, I would like to say that that, of course, is entirely a matter for legislative determination. There are three courses of action that are possible. One course of action is simply to strike out section 7, which would leave the standards prescribed but would not vest in any administrative officer the power to stop allotments after they had been set up.

Another possibility is the establishment of minimum standards directly in the law. If you prefer, you can substitute for the present provision—

The CHAIRMAN. That is section 4?

Mr. WITTE. Section 3 and paragraph (3) of subsection (e) of section 4. The provision is that the State law must provide for payment of a pension "assuring a reasonable subsistence compatible with decency and health." You can substitute for that, if you see fit, a minimum standard.

The third possibility is the one which appeared to our Committee the most advisable, vesting in some administrative official of the Government the authority to determine whether the standard now in the bill is being observed. That appealed to the Committee as being the course which would create the least difficulty because it would permit of adjustments for all portions of the country. It has not been the thought of the Committee on Economic Security that a \$40 minimum, for instance, is a proper standard in every portion of the country.

The CHAIRMAN. Where do you get this \$40 minimum? It is fixed pretty well in here at \$30 minimum, isn't it?

Mr. WITTE. I think that statement came from certain testimony of Senator Waggoner.

The CHAIRMAN. Well, Senator Wagner was merely expressing his own opinion, that he was willing to go on with \$40.

Mr. WITTE. And \$40 is probably the minimum in New York City, but it is quite a different thing in a remote rural section.

The CHAIRMAN. Well, he stated that in his testimony.

Mr. WITTE. If the provision is left flexible rather than definite it seemed to our committee that this afforded the best opportunity to meet the varying conditions throughout the country. If you prefer to write into the law a minimum of \$30 or a minimum of \$40, or any other amount, that is within your authority. It seemed to us, however, that under all of the differing circumstances presented in this great country of ours that the most feasible policy would be to vest some discretion in an administrative official. That is entirely for your determination.

Senator GORE. Mr. Witte, do you think in a country like this, where equality is a tenet of our liberal creed, that you can, in the long run, establish and maintain an inequality of that sort between the city and the country?

Mr. WITTE. I think, Senator, there is equality here. The equality is that in the rural district as well as in the industrial communities the allowances must be sufficient, with other income, to provide "a reasonable subsistence compatible with decency and health." That is equality.

Senator GORE. Here is what I am getting at. That is one standard, and it is not a bad definition either, but suppose the people in the country are not satisfied with it and they get on the backs of their Congressmen and Senators and say, "I am just as good as the 'fellows' in New York City; I have paid taxes in my time." Do you think the members in Congress are going to vote to maintain an inequality of that sort against the terrific pressure on the part of those who feel they are discriminated against?

Mr. WITTE. That is one reason, Senator, why the limit of what the Federal Government will pay is specified in this bill as \$15 a case; that equalizes the Federal grants between the city and country.

Senator GORE. You do not expect that limit to last 5 years, do you?

Mr. WITTE. That will be up to Congress.

Senator GORE. Absolutely. Pressure will make them raise that. This pressure is irresistible.

Mr. WITTE. Whether you write the definite amount in or write a more flexible standard, it seems to me you would have the same pressure, Senator.

The CHAIRMAN. Of course you and your associates have discussed this a good deal, I suppose, and have considered the proposition of whether or not the States would put up an equal amount for old-age pensions as is put up by the Government, the Federal Government, under such laws as may be passed by each State up to \$15 a person. You considered that, did you, just leaving it that way without putting a definition in such as you have here, "a reasonable subsistence compatible with decency and health"?

Mr. WITTE. Writing no other standard than that the Federal Government will match the States?

The CHAIRMAN. And leave that entirely to the States as to what amount they are going to pay and the Federal Government pay up to \$15. Of course there is no limitation as to the amount the States might give to any old-age pension.

Mr. WITTE. As I stated, Senator that is one of three courses that is open. It seemed to us more desirable to write a flexible standard, but that is entirely for your judgment.

On this first title the only other matter I think I have not dealt with, unless the Senators have questions, is the matter of cost. I have four tables that I would like to submit at this point as a part of the record, if I might. These are estimates of the cost of a Federal subsidy for old-age assistance, provided for in title 1, and two sets of estimates, one prepared by the staff of our committee, first on the basis of the cost if you do not establish a contributory annuity system simultaneously or practically simultaneously, and the other an estimate of what will be the cost of these pensions in the years to come with a contributory annuity system. Second, I have estimates by our consulting actuaries giving the same data. The consulting actuaries' figures are considerably higher and take into account the probable tendency for the pensions to increase in the course of time. These tables give the best estimates that we can get on the probable cost in the future. They are maximum estimates of cost computed by our consulting actuaries, on the assumption that every State in the Union will have an old-age pension law in operation by the time this appropriation takes effect, which is July 1, 1935.

(The documents referred to are as follows:)

TABLE I.—*Amount of Federal subsidy to State old-age pension plans, without a contributory system*

[Estimate of the staff of the Committee on Economic Security, assuming (1) dependency ratio of 15 percent in 1936, increasing thereafter to maximum of 40 percent in 1961 and subsequent years; (2) average yearly grant of \$20 per month; (3) Federal subsidy of one-half total payments, and one-half administrative costs]

Year	Number receiving old-age grants (1,000)	Amount of Federal subsidy (\$1,000,000)	Year	Number receiving old-age grants (1,000)	Amount of Federal subsidy (\$1,000,000)
1936.....	897	172.2	1955.....	4,140	521.6
1937.....	1,046	131.8	1960.....	5,304	668.3
1938.....	1,200	151.2	1965.....	5,735	722.7
1939.....	1,372	172.8	1970.....	6,026	759.3
1940.....	1,580	199.1	1975.....	6,495	807.0
1945.....	2,293	289.0	1980.....	6,800	856.8
1950.....	3,153	397.3			

¹ Full-year cost reduced for administration lag.

TABLE II.—*Amount of Federal subsidy to State old-age pension plans, with contributory annuity system also in operation*

[Estimates of the staff of the Committee on Economic Security, assuming (1) dependency ratio of 15 percent in 1936, increasing thereafter to maximum of 40 percent in 1961 and subsequent years; (2) average yearly grant of \$20 per month; (3) Federal subsidy of one-half total payments, and one-half of administrative costs]

Year	Number receiving old-age grants (1,000)	Amount of Federal subsidy (\$1,000,000)	Year	Number receiving old-age grants (1,000)	Amount of Federal subsidy (\$1,000,000)
1936.....	897	172.2	1955.....	2,114	266.4
1937.....	1,046	131.8	1960.....	2,650	333.9
1938.....	1,200	151.2	1965.....	2,586	325.8
1939.....	1,372	172.8	1970.....	2,497	314.6
1940.....	1,580	199.1	1975.....	2,446	308.2
1945.....	1,716	216.2	1980.....	2,392	301.4
1950.....	1,880	236.9			

¹ Full-year cost reduced for administration lag.

TABLE III.—*Amount of Federal subsidy to State old-age-pension plans without a contributory system*

[Estimate of the consulting actuaries of the Committee on Economic Security, assuming: (1) Dependency ratio of 15 percent in 1936, increasing to 20 percent in 1937, 25 percent in 1938, 30 percent in 1939, 33 percent in 1940, and thereafter, by 1 percent increments, to maximum of 50 percent in 1957 and subsequent years; (2) average total grant of \$25 per month from State and Federal Governments combined; (3) Federal subsidy of one-half of total costs, excluding that portion of individual grants in excess of \$30 per month and that portion of administration expenses in excess of 10 percent of total pension payments]

Year	Number receiving old-age grants (1,000)	Amount of Federal subsidy (\$1,000,000)	Year	Number receiving old-age grants (1,000)	Amount of Federal subsidy (\$1,000,000)
1936-----	897	136.6	1955-----	5,844	889.7
1937-----	1,307	199.0	1960-----	6,801	1,035.5
1938-----	1,765	268.7	1965-----	7,169	1,091.5
1939-----	2,287	348.2	1970-----	7,533	1,146.9
1940-----	2,746	418.1	1975-----	8,007	1,219.1
1945-----	3,631	552.8	1980-----	8,501	1,294.3
1950-----	4,675	711.8			

TABLE IV.—*Amount of Federal subsidy to State old-age-pension plans, with contributory annuity system also in operation*

[Estimates of the consulting actuaries of the Committee on Economic Security, Assuming: (1) Contributory old-age-insurance plan in effect; (2) dependency ratio of 15 percent in 1936, increasing to 20 percent in 1937, 25 percent in 1938, 30 percent in 1939, 33 percent in 1940, and thereafter, by 1 percent increments, to maximum of 50 percent in 1957 and subsequent years; (3) average total grant of \$25 per month from State and Federal Governments combined; (4) Federal subsidy of one-half of total costs, excluding that portion of individual grants in excess of \$30 per month and that portion of administration expenses in excess of 10 percent of total pension payments]

Year	Number receiving old-age grants (1,000)	Amount of Federal subsidy (\$1,000,000)	Year	Number receiving old-age grants (1,000)	Amount of Federal subsidy (\$1,000,000)
1936-----	897	136.6	1955-----	3,752	571.3
1937-----	1,307	199.0	1960-----	3,777	575.0
1938-----	1,765	268.7	1965-----	3,496	532.2
1939-----	2,287	348.2	1970-----	3,377	514.1
1940-----	2,746	418.1	1975-----	3,344	509.1
1945-----	3,205	487.9	1980-----	3,308	503.6
1950-----	3,525	536.7			

Senator GORE. What do you base that assumption on? Is it on information that you received from the several States?

Mr. WITTE. No; it is the actuaries' estimate of what would be the maximum cost. It is not what our committee believes will be the actual cost.

Senator GORE. Yes.

Mr. WITTE. On the assumption that every State will have a law in operation July 1, 1935, and that all people now dependent would qualify from the first day on—which, I think you appreciate and the actuaries themselves stated, is an over-estimate, because it does not take into account what they call the practical lag—on that assumption, and assuming that in the first year 15 percent of all the people over 65 years of age will qualify—

Senator GORE. Fifteen percent?

Mr. WITTE. Fifteen percent.

Senator GORE. Yes, sir.

Mr. WITTE. And that the pensions will average \$25 per person—which is also an estimate in excess of anything that is likely, at least in the first years of the act as the actual average has been \$19 a

month—the actuaries arrived at a figure of \$136,000,000 for the first year, and increasing amounts thereafter. The pension costs will increase because of expected increases in dependency and still more because of the expected increases in the number of old people. The final cost of old-age pensions to the Federal Government, if you do not adopt a contributory system, according to the actuaries' estimates will be \$1,300,000,000, in 1980. According to the actuaries, if simultaneously you adopt a system of contributory annuities that cost will not be \$1,300,000,000 in 1980, but will be \$500,000,000. There will still be pensions, even with a contributory annuity system, for the reason that the contributory annuity system can be made applicable only to employed persons. Forty percent of the persons that are classified in the census as being gainfully occupied are not employed persons, they are self-employed persons, the farmers, the business men, the professional people. While a smaller percentage of these self-employed people are probably in need of pensions, nevertheless it is a common observation that even people who have had a good income during a part of their life frequently at the age of 65 are without any income.

Those are outside estimates. Our staff is of the opinion that those estimates will not be attained. We believe that the pensions will not go up as much as the actuaries have calculated—it is all an estimate. But this is true, that the pension costs will materially increase in future years, due primarily to the fact that the number of old people is steadily increasing and there is a high degree of probability that the ratio of the dependency will also increase.

In the first year, it has been the thought of our Committee that \$50,000,000 will be sufficient. We arrive at this figure in this manner: Two-thirds of the country is now in territory in which old-age pension systems are in operation. In that territory the old-age pensions actually granted amounted to \$31,000,000 per year. That is the present expenditure. Half of this is \$15,500,000. So we believe that \$50,000,000 is probably an adequate figure for the first year, taking into consideration that 20 States do not have a pension law now and while a considerable number of these States will probably enact laws before July 1, 1935, they will not all do so at once.

SENATOR GORE. Have you ever figured, Mr. Witte, whether or not these appropriations, the expenditures by the States on old-age pensions, are limited by the fact that when people in the State pay taxes they know they are paying taxes, and they have a check on it, but when the Federal Government enters into this scheme, then they have no check on who is paying the taxes, they think nobody is paying the taxes, that it is just bounty coming from Santa Claus, or somebody else, there is no check on that?

MR. WITTE. Senator, that is the double check that we have in this bill. The great protection of the Federal Government is that the States pay at least half the cost.

SENATOR GORE. Yes.

MR. WITTE. That is the double check. We feel that this will protect the Federal Treasury and that this is ample protection.

SENATOR GORE. On that point now, you estimate that the total expenditure will be \$1,300,000,000 by the year 1980. Would you be surprised if it would reach that figure by 1950?

MR. WITTE. I would be greatly surprised.

Senator GORE. I hope that some curious historian will then check the record of this day.

Senator HASTINGS. In that connection I should like to inquire whether in your estimates as to the increase it is confined to the increase in old persons only, or have you taken into consideration the tendency, when you establish old age pensions, for the aged persons to come into those bounties when they would otherwise get along with the help of their children and other sources?

Mr. WITTE. We have taken into consideration that tendency. Costs will increase not only because of the factor that you mentioned now, Senator, but also the factor that at this time, as a result of the depression, people past middle age have lost their life's accumulations, so many of them, and that dependency in the years immediately ahead will probably be very much greater than it was before the depression. Our actuaries have taken into consideration this factor, and so has the staff, that there will probably be an increasing rate of dependency. The actuaries start with a 15-percent dependency rate, which they estimate will increase quite rapidly so that by 1940 there will be a 33-percent dependency, and they finally reached a figure of 50-percent dependency.

Senator GORE. You mean of people 65 years of age and over?

Mr. WITTE. Yes, sir; our staff feels that that is too high an estimate, based on the experience of other countries. The Dominion of Canada has had an act of this kind in operation since 1927, under which the Dominion pays 75 percent of the pension cost and the Provinces pay 25 percent of the pension cost. In Canada, there has been, in this period of depression, as you might expect, a tendency for an increasing number of persons to get on the pension lists, because actually people have been dependent—we have had them on the relief list and they put them on the pension list—but in Canada the dependency rate has not approached these maximum figures that our actuaries estimate. We do allow for that factor, Senator; we allow very heavily for that factor. There must also be taken into consideration the increasing number of aged in this country.

Senator GORE. Mr. Witte, can that go on indefinitely with the diminishing birth rate? I do not have the statistics on that.

Mr. WITTE. No; by 1980 we have reached the same position—that is the assumption—the same position that European countries have reached already, a condition where the population is practically stationary, and after that births will once more equal deaths.

The CHAIRMAN. What do they pay on old age pensions in England?

Mr. WITTE. The noncontributory old-age system pays 10 shillings a week. Ten shillings is, in our money, \$2.50.

Senator GORE. Where is that?

Senator HASTINGS. In England.

Mr. WITTE. In England, In Canada, the pension is \$20, a maximum of \$20. That is, the contribution on the part of the national government is figured on \$20.

Senator COSTIGAN. Mr. Witte, your figures provide a basis for calculating the increased cost of pensions if they are raised to \$40 per month, do they?

Mr. WITTE. No; the increased cost will probably not be very great. I assume you meant a \$20 maximum for the Federal Government?

Senator COSTIGAN. \$20 or \$25.

Mr. WITTE. It is very doubtful whether in most States of the Union the pensions would be very large if you made the maximum that the Federal Government would pay \$20 instead of \$15. They would be larger in the urban centers. In New York City, as I stated, the pensions now are \$40 on the average, and if you take off the limit for the cases in New York City you will be paying \$20. For the cases in the rural territory it is not expected that the pensions will be, at least initially, even as high as \$30, because many of these people have some income of their own and you do not have to pay the whole cost.

Senator COSTIGAN. Are you in position to place in the record the Federal Government's share of this expense, provided Congress determines to raise the Federal contribution to \$20 or \$25 a month? Could you do that during the day, if not at this moment?

Mr. WITTE. I think that is given in the tables of staff estimates. I think that the \$25 estimate would be ample even if you take off the entire \$15 limit, and say, "You will pay half the pension cost, if you see fit to do that." I think the average would not be over \$25, even in that event. It would, perhaps in future years, but not at the present time.

Senator HASTINGS. Have you any estimate as to how many wage earners, under this plan, would be contributing to this fund?

Mr. WITTE. That is the contributory system, Senator? These figures all relate to noncontributory system, and this big estimate of \$1,300,000,000 by 1980 assumes you are not starting a contributory system at the same time. If you start a contributory system you bring down the cost.

Senator COSTIGAN. You are referring to old-age pensions as applied to people now 65 years or more of age?

Mr. WITTE. Yes.

Senator HASTINGS. What you are now talking about has nothing to do with the contributory system?

Mr. WITTE. No, sir.

Senator BLACK. I understood you to say, Mr. WITTE, that if the contributory system was adopted that the \$1,300,000,000 would be reduced to probably \$500,000,000?

Mr. WITTE. Yes, sir.

Senator BLACK. So that in that estimate you did give that figure assuming that the contributory system would be adopted?

Mr. WITTE. This contributory system outlined in the bill.

Senator HASTINGS. There is another question. I might as well ask it here as some other place. Have you any estimate as to how many people, how many wage earners, will be compelled to contribute to this fund when this act goes into effect on January 1, 1937?

Mr. WITTE. The entire number of wage earners in the country?

Senator HASTINGS. Yes.

Mr. WITTE. The number is approximately 40,000,000.

Senator HASTINGS. That is what I think—about 40,000,000.

Mr. WITTE. Yes.

Senator HASTINGS. Has it occurred to the committee what might happen to this long-time planning if that 40,000,000 began to resent that tax that they have to pay out of their weekly wage?

Mr. WITTE. I presume they would "up" the annuities, and "up" the cost of the Government, if there were that sort of a feeling.

Senator HASTINGS. Of course you appreciate if 40,000,000 people in this country made up their minds that they did not like it, it would end the whole business, wouldn't it?

Mr. WITTE. The thing they would then be demanding would be pensions without contribution. Now, as a matter of fact, Senator, I think this depression has made people realize—even younger people realize—the necessity for making provision for old age to a much greater extent than prior to the depression. I doubt whether a contributory annuity system is resented by labor. Even younger workers appreciate what a problem it is to make provision for old age. Their own parents are at present in distress in many instances and they know, as they have never known before, how vitally necessary it is to make some provision for old age.

Senator HASTINGS. The other day Senator Wagner called our attention to the fact that in the prosperous year of 1929 there were 6,000,000 families earning less than a thousand dollars annually, that there were 16,000,000 families earning less than \$2,000 a year, and 20,000,000 families earning less than \$2,500 a year. Now if you assume that those maximum figures were being earned by these families it would amount to \$88,000,000,000, and the annual tax on that, to begin with, would be \$440,000,000.

Mr. WITTE. I did not understand the figures, Senator.

Senator HASTINGS. That if you have 6,000,000 families and figure them at a thousand dollars a family, and 16,000,000 at \$2,000 a family, and 20,000,000 families at \$2,500, you would have a total of \$88,000,000,000 that those families would be receiving, and if you put a one-half of 1 percent tax on them, I think it amounts to \$440,000,000. Now I am wondering, with those average salaries already very low and with the families needing every cent they can get, whether or not they are going to be willing that \$440,000,000 shall be taken out of them for any purpose, even though you try to convince them that it was, in the end, for their own good.

Mr. WITTE. I do not quite understand the figures. I have not had an opportunity to examine them.

Senator HASTINGS. Assuming those figures to be correct, do you not think those people will rise up and have a lot to say about it, have a lot of complaint to make long before this thing is in operation, very long, and which might result in ending the whole business?

Mr. WITTE. My answer to that, Senator, is this: The poorest people now know what old age costs. If not in the average case then in any number of cases these people are now supporting, at tremendous sacrifices, their own parents. In these groups they are now contributing a great deal more toward the cost of old age than this 1 percent; rising to 5 percent, of which they pay only half. They are contributing a great deal more than that.

Let me also suggest this, Senator: Contributory annuity systems are in operation at this time in substantially every European country. Some form of old-age security legislation is in operation in substantially every country in the world, with the exception of China and India. People in these countries haven't found contributions so very annoying. Likewise, employers in this country have in operation industrial pension plans under which more than 5,000,000 workers are included and most of these plans require employee contributions that are heavier than those contemplated in this bill.

Senator HASTINGS. This does not relieve them of those contributions, though. This supplants that, and they probably would have to abandon their plan which affects those 5,000,000 workers in order to accept this governmental plan, and the chances are the governmental plan, as far as that 5,000,000 workers is concerned, is nothing like as good as the plan that now exists. Is not that probably true?

Mr. WITTE. The industrial pension plans will probably function on top of this plan, because they provide more. This provision is merely a minimum provision. I suggest this, Senator: Mr. William Green, president of the American Federation of Labor, will appear before you; I suggest that you ask him whether labor resents making contributions to provisions for old age.

Senator HASTINGS. He only speaks for about a million and you tax here 40,000,000. That would make his answer not controlling, so far as I was concerned.

Mr. WITTE. Of course it is a matter of opinion, Senator.

Senator HASTINGS. Yes.

Mr. WITTE. My opinion is, while there may be some feeling on the part of the younger workers that they should not contribute, I believe that will not be the case generally, because even the younger workers now know what a problem old age is—they know that from their own families, they know it because they have had to bear the brunt and they are bearing the brunt of this burden. This is designed not only to help out the old people, but this will help the younger men who are now making these sacrifices for their parents. As this contributory system comes into operation, under which each person builds up his own provision for old age, it will help to lighten the load. My judgment, Senator, is that in this country, as well as in all other countries, old-age security will prove very popular, rather than the reverse.

Senator GERRY. Could you state when the Canadian act was passed?

Mr. WITTE. It was passed in 1927.

Senator BLACK. Dr. Witte, do you have any figures as to how many of these aged men or women are dependent on children who are making under a thousand dollars a year?

Mr. WITTE. I do not know of any studies of this kind. I think it is a very large percentage, Senator.

Senator BLACK. And a very large percentage also, I would assume, dependent on those families who are making under \$2,000 a year?

Mr. WITTE. The aged dependents are mainly in the group of population that have had very small incomes.

Senator BLACK. And those groups predominate?

Mr. WITTE. Those groups predominate. The bulk of the dependents, Senator, unquestionably are in these low-income groups. The people in the low-income groups are now paying the cost of the insecurity for the aged. As you make provisions for the aged, these people will realize that such provisions will help them.

Senator GORE. That is, you mean the children will be relieved of this burden and it will be transferred to the State, or to the taxpayers generally?

Mr. WITTE. This burden, under the contributory system, will be transferred to the employers and employees.

Senator GORE. You are speaking now of the contributory system?

Mr. WITTE. Yes. The contributory systems is the plan for making provisions for old age on other than a gratuitous basis.

Senator GORE. It is your feeling that the children ought to contribute, ought to continue to contribute to the maintenance of their parents?

Mr. WITTE. To the extent of their ability; yes.

Senator GORE. Do you not think that there is as much moral obligation on the part of the children to support their parents as on the part of the parents to support their children?

Mr. WITTE. I think so; yes, sir.

Senator GORE. In Russia they have a scheme, I think, under which the State relieves the parents of that expense, they undertake to raise the children and assume that expense. You say that the youngsters are bearing this burden. Do you have in mind any plan of pensioning the young people, getting them started off right so that they do not have to face the struggle for existence?

Mr. WITTE. No, sir.

Senator GORE. Now do you have in mind any report that embodies or epitomizes the different plans in vogue in the different countries?

Mr. WITTE. We have submitted that in the record.

The CHAIRMAN. That was submitted yesterday.

Mr. WITTE. Yes, sir.

Senator GORE. I see. Have any of those countries the direct primary election system?

Senator HASTINGS. What was your question?

Senator GORE. Whether any of these countries have direct primary elections?

Mr. WITTE. Some of them have democratic forms of government. Old-age security systems exist the world over. They exist in substantially all countries of the world at this time, except China and India.

Senator BLACK. In England?

Mr. WITTE. They have them in every English-speaking country.

Senator GORE. In China their old-age insurance is producing large families, producing as many children as they can, so the children can maintain the parents in their old age. That is their method of old-age insurance.

Mr. WITTE. And it results in famines and starvation every once in a while.

Senator GORE. You do not think this will result in famine and starvation here?

Mr. WITTE. No, sir.

The CHAIRMAN. How long has that policy been in vogue in China?

Mr. WITTE. I think for generations.

Senator GORE. Immemorial; yes, sir.

Mr. WITTE. It has resulted in a civilization such as we would not tolerate. It has resulted in actual starvation.

Senator GORE. China is the oldest country in the world, but whether it is due to that cause or not is debatable. I wish you would name the members of the Committee who prepared this report.

Mr. WITTE. The Committee consisted of the Secretary of Labor, the Secretary of the Treasury, the Attorney General, the Secretary

of Agriculture, and the Federal Emergency Relief Administrator. It is a Committee created by Executive order of the President.

Senator GORE. Did that Committee consider at any time the so-called "Townsend old-age pension plan"?

Mr. WITTE. Certainly.

Senator GORE. What was your judgment and the judgment of the Committee in reference to the so-called "Townsend old-age pension plan"?

Mr. WITTE. The judgment of the Committee was that the Townsend-old-age pension plan is not financially possible.

Senator GORE. You think that is a sort of an overdraft?

Mr. WITTE. Certainly, it is an overdraft. The Townsend old-age pension plan would require appropriations at this time of approximately 25 billion dollars. It would require taxes which are more than double the taxes levied by Federal, State, and local governments combine, to take care merely of the people that are now over 60 years of age. It involves a prospective obligation of \$250,000,000,000 to take care of these people that are now over 60 years of age. That is clearly beyond our financial possibilities.

Senator GORE. And you make a point of that, that it is an impossibility?

Mr. WITTE. Yes.

Senator GORE. Do you think the difference between that plan and this plan is a difference of kind or a difference in degree?

Mr. WITTE. It is a difference in kind as well as in degree.

Senator GORE. A difference in principle as well as the large cost?

Mr. WITTE. Yes.

Senator GORE. You said yesterday that you are not a lawyer, and so I will not ask you, but did any member of your committee or did anyone else prepare a brief showing the constitutionality of the proposal to establish a noncontributory system of old-age pensions?

Mr. WITTE. We haven't any brief, but it can be prepared, I am certain.

Senator GORE. I wish you would have it prepared, pointing out what express power in the Constitution authorizes the establishment of a noncontributory system of old-age pensions, or from what express power you deduce or draw the implied power to take the money out of one man's pocket and give it to another person. It is interesting and I would like to have it introduced.

Mr. WITTE. Twenty-eight States now have pension laws, and they have been sustained.

Senator GORE. That is an entirely different thing. There is no doubt a State can establish old-age pensions, contributory and non-contributory. A State legislature has all legislative powers that are not denied to it by its own State constitution or by the Constitution of the United States. Whoever proposes to Congress to do anything must produce a section in the Constitution, a clause that authorizes Congress to do that act, or the grant of power from which it is deducible. That is the point I had in mind.

Mr. WITTE. Senator, the Attorney General was a member of the Committee. The Attorney General signed this report, and no doubt he will be willing to appear before you on the question of constitutionality.

Senator GORE. I would be glad if he would.

Senator LONERGAN. Are you through, Senator Gore, with the witness?

Senator GORE. I believe I am; yes. Go ahead.

Senator LONERGAN. Dr. Witte, who drafted this bill?

Mr. WITTE. The Committee had a counsel who drafted this bill, Thomas H. Elliott. The counsel drafted the bill in cooperation with the Members of Congress who offered the bill in the two Houses.

Senator LONERGAN. Did the Committee have before it copies of laws of other countries?

Mr. WITTE. All of them.

Senator LONERGAN. And in part this bill has been copied from other countries?

Mr. WITTE. I think it was copied mainly from our own laws. These provisions, for instance, in title 1, that we have been discussing, are taken from the laws of the 28 States that now have old-age pension laws. You have had bills in both Houses of Congress dealing with substantially all these subjects, in several different Congresses.

In this connection I have just been informed that there is a brief on the constitutionality of old-age pension legislation in the printed hearings before the Pension Committee of the Senate in the Seventy-first Congress.

Senator GORE. I wonder whether, when you submit that statement, you could cite the volume and the page, if it is not too much trouble.

Mr. WITTE. Certainly.

(The document referred to is as follows:)

FEDERAL AID BILL—THE CONSTITUTIONALITY OF THE OLD AGE ASSISTANCE BILL

(By JOSEPH P. CHAMBERLAIN, of Columbia University)

[Reprinted from Hearing before Senate Committee on Pensions, 71st Cong., 3d sess., on S. 3257, pp. 99-101]

There are several Federal statutes which make or authorize appropriations offering Federal aid to the States in conducting certain charitable, social, and educational enterprises. The acts referred to are the Smith-Lever Act (38 Stat. 372), agricultural extension work in State Colleges; the Smith-Hughes act (39 Stat. 929), for training teachers of vocational and agricultural subjects and paying teachers' salaries; the Smith-Sears Act (41 Stat. 735), industrial vocational rehabilitation; the Federal highway act (42 Stat. 212), and the Sheppard-Towner Act (42 Stat. 324), maternity and infancy welfare.

Doubt of the constitutionality of the Sheppard-Towner Act was expressed in an opinion by the attorney general of Massachusetts, 1922. (7 Mass. Law Quarterly, May 1922, 67.) As a result, two cases were brought to the Supreme Court to enjoin its enforcement. (*Mass. v. Mellon*; *Frothingham v. Mellon*, 262 U. S. 467, 67 L. Ed. 1078 (1922).) The first was brought by the State, claiming the act invaded the right of the State to local self-government and was a usurpation of power by Congress and that it imposed on the State an unconstitutional option either to yield its reserved rights or to lose its share of the appropriation. Considering the suit as being brought by the State in its own behalf, the court said, "We are called upon to adjudicate, not rights of person or property, not rights of dominion over physical domain, nor quasi-sovereign rights, actually invaded or threatened, but abstract questions of political power, of sovereignty of government. No rights of the State falling within the scope of judicial power have been brought within the actual or threatened operation of the statute. If an alleged attempt by congressional action to annul and abolish an existing State government 'with all its constitutional powers and privileges' presents no justiciable issue, as was ruled in *Georgia v. Stanton* (6 Wall. 50, 75; 18 L. Ed. 721, 724), no reason can be suggested why it should be otherwise where the attempt goes no further, as it here alleged, than to propose to share with the State the field of State power." The court pointed

out that no State rights were invaded merely by extending the option, and held that the question of usurpation of power, when nothing had been done and nothing was to be done without the State's consent, was not a judicial question, of which the court would take cognizance, but a political question over which the court had no jurisdiction. In short, the court decided that the act involved no State rights protected by the Constitution and that there was nothing contained in it to lead the court to find it unconstitutional as a usurpation of power.

It also held that a State cannot as *parens patriae* institute judicial proceedings to protect its citizens who are also citizens of the United States from the operation of a statute of the United States, since, with respect to their relation to the Federal Government, it and not the State represents them as *parens patriae*.

The other case decided at the same time, *Frothingham v. Mellon*, was brought by a taxpayer of the United States to enjoin enforcement of the act on the ground that the appropriation from the general funds increased the burden of future taxation and thereby took the plaintiff's property without due process of law. But the court decided that though a taxpayer might sue to enjoin the illegal use of the moneys of a municipal corporation, his interest in the moneys in the National Treasury is so minute, and the effect of payment of the funds on future taxation is so remote and uncertain, that no action can be maintained to prevent enforcement of the appropriation.

These statutes and the old-age-assistance bill, drawn on their pattern, seem therefore to be free from possibility of attack in an action by a State or by an individual taxpayer. As to the objection made to the Federal-aid acts that they are infringements by Congress on the State rights of local self-government through the conditions imposed precedent to enjoying the benefits of the acts and that acceptances by the State would be void as an abdication of the State's sovereignty, Burdick, in 8 *Cornell Law Quarterly*, 324, argues that even if the conditions did involve the ceding of reserved State rights, still the mere legislation alone would be no unconstitutional act because it is ineffective until acceptance by the State, and further than, even after acceptance by the State actually involving delegation to the United States of some reserved governmental power, there would be no violation of the Federal Constitution. The tenth amendment, "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States, respectively, or to the people," is inapplicable as a test of the scope of the delegated powers of the National Government and cannot be taken to limit the exercise of the delegated powers; in particular, the powers of taxation and appropriation under Article I, section 8. As Corwin quotes Madison: "Interference with the powers of the States is no constitutional criterion of the power of Congress. If the power is not given, Congress may not exercise it. If given, they may exercise it even though it shall interfere with the laws or even the constitutions of the State." The State's acceptance, then, would at most violate the State constitution and would raise no question within the jurisdiction of the Federal courts.

But Burdick asserts that Federal-aid legislation has so far not involved delegation of legislative powers precedent to securing the benefits, and the same would be true of the old-age-assistance bill, as it is drawn in the same form and plan as the others. The conditions are of three classes: Mandatory and directory provisions regarding the use which the States are to make of the funds, which involve no surrender of governmental rights; requirements for reports and estimates from the States for the purpose of controlling the administration of the acts, but only to insure their fulfillment as accepted by the States. In these there is no limitation on the State legislature or general administrative powers.

Federal-aid legislation has been attacked as an illegal exercise of the power of Congress to tax and to spend money as granted in Article I, section 8, of the Constitution: "Congress shall have power to lay and collect taxes, duties, imposts, and excises to pay the debts and provide for the common defense and general welfare of the United States; but all duties, imposts, and excise shall be uniform throughout the United States." Corwin in 36 *Harvard Law Review*, 548, and Burdick, in the article cited above, show that the power to provide for the general welfare contained therein is not an unlimited one to legislate for the general welfare irrespective of other constitutional limitations but only a qualification of the taxing power. But it is pointed out also that the prevailing construction given to the phrase does not limit the scope of taxation and expenditure for the purposes of general welfare to the other specially delegated powers of Congress as Madison interpreted the words, but rather that the phrase has been given its literal and comprehensive meaning, limited only by the quali-

cation that the expenditures be general and not local, Hamilton's interpretation. Madison's opinion appears in the *Federalist*, No. 41 (40). He holds that the words are limited not only by appearing in the clause relating to taxation but also by being in the same section with the enumerated powers, and he construes them as a mere general phrase explained and qualified by the recitation of particulars which follow it.

This interpretation was first offered by Jefferson in his opinion on the constitutionality of the national bank (*Federalist*, 1898, appendix, p. 651), and was answered by Hamilton in his counter argument (*Federalist* 1898, appendix, p. 655-764), where Hamilton understands the phrase as allowing Congress to raise money for the purpose of general welfare, the only constitutional test being that it must be for a general and not local purpose; but "the quality of the object as how far it will really promote, or not, welfare of the Union, must be a matter of conscientious discretion; and the arguments for or against a measure in this light must be arguments concerning expediency or in expediency, not constitutional right."

Story also contends against Madison's limited interpretation (Story on the Constitution, secs. 922 to 930, inclusive), and the broader interpretation has been accepted almost uninterruptedly throughout the history of the Nation, as Corwin shows at length in his *Harvard Law Review* article. Story also claims that in that clause of Article I, section 8, is found the power to appropriate. (Story on the Constitution, secs. 975-991, inclusive.)

No comprehensive judicial determination of the scope of the taxing power under the welfare clause has been made. Examples of earlier laws passed under the general-welfare clause are those making appropriations for agricultural researches, the formation of the Department of Labor, the Fisheries Bureau, and the Bureau of Mines. The Morrill Act of 1862 (ch. 130, 12 Stat. 503) granted public lands to the States on condition that they establish a college, and later donations of money from the sale of public lands were made to each State for the benefit of the colleges established under the Morrill Act. (1890, 20 Stat. 417.) It is probable that the court would not undertake to question the constitutionality of an appropriation for general welfare, and that general welfare is what Congress takes it to be unless clearly in violation of the constitutional limitation. In *United States v. Realty Co.* (163 U. S. 427 (1896)) the court held that "debts" in Article I, section 8, included a claim not legal in character but based on moral and honorary consideration and under that interpretation sustained an appropriation for a bonus to sugar companies to replace a protective tariff removed at that time and did not question its constitutionality otherwise. The court refused to say there that Congress had the power to appropriate for any purpose it might choose to say was in payment of a debt or for general welfare, but declared that its decision recognizing a claim and appropriation can rarely, if ever, be subject to judicial review. A moral obligation was recognized as a debt in *United States Sugar Equalization Board v. De Ronde Co.* (77 Fed. (2d) 981, citing *U. S. v. Realty Co.*)

The power of the States to curtail their general powers to the extent of entering into temporary contracts is well settled. *McGee v. Mather* (4 Wall. (U. S.) 143, 18 L. ed. 314 (1866)); *Sterns v. Minnesota* (179 U. S. 223, 45 L. ed. 162 (1900)).

In summary, the constitutionality of the old-age assistance bill would be free from possibility of attack by any State or by an individual taxpayer and would be no invasion of the State rights to local self-government. The appropriation, under the general-welfare clause, would probably not be reviewed by the courts, and acceptance of the provisions by the States would be no unconstitutional surrender of their reserved rights and is within their power of making temporary contracts.

William D. Guthrie, in 7 *American Bar Association Journal* 14, was of the opinion that the Smith-Towner bill, Federal aid for education, if enacted, would involve a tendency toward interference by the Federal Government in the local affairs of the States, and would be a dangerous violation of the fundamental dual aspect of the Federal system of government, and would be detrimental to the best interests of education by involving it in politics and subjecting it to the standardization regulating from Federal control.

The State of Georgia sought an injunction against the Secretary of War to prevent his performance of duties imposed by an act of Congress which the State alleged would result in the abolition of the existing State government. The court held that under No. 2 of Article III of the Constitution the judicial authority did not include the power to restrain a representative of the executive branch from carrying into execution an act of Congress where the controversy called for a decision on a political question.

The CHAIRMAN. Mr. Witte, these States in the country that have adopted this pension system, have any of them applied this earning tax to which you have made allusion?

Mr. WITTE. The earnings tax is for the contributory annuity system, and there is no contributory annuity system in this country. Such a system cannot very easily be established by any State alone, because most people do not stay within the confines of any State during their lifetime. No State has attempted to do it.

Senator HASTINGS. Do they have contributory systems in other countries?

Mr. WITTE. The analysis of those laws has been filed with you. All European countries have contributory systems, or substantially all countries. The English-speaking territories outside of Europe—Canada, New Zealand and Australia—have noncontributory pensions only.

Senator CAPPER. Have the laws in these other countries been successful?

Mr. WITTE. I think that is generally conceded. The very fact that they have been copied and adopted in other countries in the world, substantially in every country in the world is evidence of at least a reasonable degree of success.

Senator BLACK. Have any of them abandoned them?

Mr. WITTE. No, sir.

Senator LONERGAN. Doctor, you remember yesterday at the conclusion of our session, I asked you if you could give us the estimated number of beneficiaries under these various plans proposed in the pending bill and the estimated cost to the Federal Government at the outset. Can you give that?

Mr. WITTE. I have those tables here.

Senator LONERGAN. Will you place them in the record?

Mr. WITTE. Certainly; if I am permitted to do so.

Senator HASTINGS. I would like, Mr. Chairman, if it is not too much trouble and if it is not too long, I would like to have him tell us what those tables are.

Mr. WITTE. I thought I did that, but I will be glad to go over that again.

Senator HASTINGS. I do not want you to repeat it, if you did it. Before doing that let me inquire what if any table you have there which shows the amounts that would be paid to persons after a period of 5 years when this act becomes effective, 5 years after it becomes effective, and the man has paid in for 5 years. Do you remember what that section is?

Mr. WITTE. That is in title 4—the contributory system.

Senator HASTINGS. Yes; that is the contributory system.

Mr. WITTE. Yes.

Senator HASTINGS. I have been trying to figure it out. It is found on page 25 and I would like to have you put in the record just what a man, for instance earning \$100 a month and who has paid in for a certain length of time, would get under this provision. I can figure that out fairly well, but I have some difficulty in figuring out what it would be on page 27 under paragraph 2. There seems to be a distinction made between paragraph 1 beginning on page 25 and paragraph 2; there seems to be a distinction made after the man begins to pay. When the man begins to pay after January 1, 1942, does

that mean that he did less than he would under paragraph 1 of this section? I have read several times but I cannot quite understand what he would get under that paragraph 2?

Mr. WITTE. If you so desire and the committee permits I will be glad to submit tables showing the illustrative pensions under both the so-called "temporary plan" and the permanent plan. I have the tables here.

The CHAIRMAN. They may be put into the record.

(The tables referred to are as follows:)

TABLE V.—*Illustrative annuities under proposed plan payable to persons who enter the system during the first 5 years*

Age of worker in 1937	Years to retirement	Monthly annuities at age 65 based on average monthly wage—			Age of worker in 1937	Years to retirement	Monthly annuities at age 65 based on average monthly wage—		
		\$50	\$100	\$150			\$50	\$100	\$150
60.....	5	\$7.50	\$15	\$22.50	39.....	26	20.00	40	60.00
59.....	6	8.00	16	24.00	38.....	27	20.00	40	60.00
58.....	7	8.50	17	25.50	37.....	28	20.00	40	60.00
57.....	8	9.00	18	27.00	36.....	29	20.00	40	60.00
56.....	9	9.50	19	28.50	35.....	30	20.00	40	60.00
55.....	10	10.00	20	30.00	34.....	31	20.00	40	60.00
54.....	11	11.00	22	33.00	33.....	32	20.00	40	60.00
53.....	12	12.00	24	36.00	32.....	33	20.00	40	60.00
52.....	13	13.00	26	39.00	31.....	34	20.00	40	60.00
51.....	14	14.00	28	42.00	30.....	35	20.00	40	60.00
50.....	15	15.00	30	45.00	29.....	36	20.00	40	60.00
49.....	16	16.00	32	48.00	28.....	37	20.00	40	60.00
48.....	17	17.00	34	51.00	27.....	38	20.00	40	60.00
47.....	18	18.00	36	54.00	26.....	39	20.00	40	60.00
46.....	19	19.00	38	57.00	25.....	40	20.00	40	60.00
45.....	20	20.00	40	60.00	24.....	41	20.00	40	60.00
44.....	21	20.00	40	60.00	23.....	42	20.00	40	60.00
43.....	22	20.00	40	60.00	22.....	43	20.00	40	60.00
42.....	23	20.00	40	60.00	21.....	44	20.00	40	60.00
41.....	24	20.00	40	60.00	20.....	45	20.00	40	60.00
40.....	25	20.00	40	60.00					

TABLE VI.—*Illustrative annuities under proposed plan for persons entering after 1942*

Years of contribution	Monthly annuities at age 65 based on average monthly wage—			Years of contribution	Monthly annuities at age 65 based on average monthly wage—		
	\$50	\$100	\$150		\$50	\$100	\$150
5.....	\$5.00	\$10	\$15.00	26.....	\$15.50	\$31	\$46.50
6.....	5.50	11	16.50	27.....	16.00	32	48.00
7.....	6.00	12	18.00	28.....	16.50	33	49.50
8.....	6.50	13	19.50	29.....	17.00	34	51.00
9.....	7.00	14	21.00	30.....	17.50	35	52.50
10.....	7.50	15	22.50	31.....	18.00	36	54.00
11.....	8.00	16	24.00	32.....	18.50	37	55.50
12.....	8.50	17	25.50	33.....	19.00	38	57.00
13.....	9.00	18	27.00	34.....	19.50	39	58.50
14.....	9.50	19	28.50	35.....	20.00	40	60.00
15.....	10.00	20	30.00	36.....	20.50	41	61.50
16.....	10.50	21	31.50	37.....	21.00	42	63.00
17.....	11.00	22	33.00	38.....	21.50	43	64.50
18.....	11.50	23	34.50	39.....	22.00	44	66.00
19.....	12.00	24	36.00	40.....	22.50	45	67.50
20.....	12.50	25	37.50	41.....	23.00	46	69.00
21.....	13.00	26	39.00	42.....	23.50	47	70.50
22.....	13.50	27	40.50	43.....	24.00	48	72.00
23.....	14.00	28	42.00	44.....	24.50	49	73.50
24.....	14.50	29	43.50	45.....	25.00	50	75.00
25.....	15.00	30	45.00				

Senator HASTINGS. The temporary and the permanent plans?

Mr. WITTE. The temporary plan, Senator, is the plan in operation for the people that are brought into the system now and is frankly intended to give people that are half old something more than the pittance that they would otherwise earn. The people who start in at a later date have the entire period of life ahead of them during which they can make provisions for old age. Under the temporary plan there is a partial unearned allowance to people that are now around 50 or 40, who have short periods of time only in which to make provisions for old age and who cannot, by their own means, build up a sufficient provision in the future remaining years of their lives, because, as I think you understand, compound interest becomes an important factor only after a lapse of years. If a man only contributes 5 years, the interest earnings are relatively slight, but for a man that contributes for 45 years, the interest amounts to the major part of the fund accumulated for him.

Senator HASTINGS. Now let me put a concrete example. Suppose a man starts in January 1, 1937, at 45, and pays in for 20 years and he is earning a hundred dollars a month and works all the time?

Mr. WITTE. He gets \$40.

Senator HASTINGS. He gets 40 percent of that?

Mr. WITTE. Yes.

Senator HASTINGS. Suppose he starts in in 1942 and he is 45 and pays in until he is 65, what does he get then?

Mr. WITTE. He would get less.

Senator HASTINGS. How much less?

Mr. WITTE. He would get \$25. But I think the case, Senator—

Senator HASTINGS. I am not arguing it with you, I am just trying to get an illustration of it.

Mr. WITTE. He does not start at 45 in 1942, he starts at 20.

Senator HASTINGS. He may start at 45.

Mr. WITTE. If he is an immigrant, or something of that sort.

Senator HASTINGS. He might be out of a job.

Mr. WITTE. You mean he has not worked up to the time he is 45?

Senator HASTINGS. Yes.

Mr. WITTE. That certainly is a very exceptional case.

Senator HASTINGS. That is true, but it illustrates what I am getting at anyway. I am just trying to get the percentage, and while that may be an extreme case, for the purpose of illustration, I will put the case, that if a man who pays in for 20 years beginning January 1, 1937, would get 40 percent, while the man who paid in for 20 years beginning with 1942 would only get 25 percent, I would like to have you explain the fairness of that, and you explain the fairness of it by saying that it is practically impossible for him to be 45 years old when he comes in in 1942.

Mr. WITTE. The idea is, Senator, that we are trying to give an unearned annuity only to the people who are now nearly old, who have been working and haven't had an opportunity to build up provisions for their old age. After 1942 you do not get these short periods of employment except in rare cases. The actual situation you face after 1942 is a situation of a worker who has his whole period of life ahead of him, and he gets, after he has made his contributions, a larger return than is possible to the person who is now half old.

Senator HASTINGS. Let me give you an illustration under this bill. If a man is earning more than \$250 a month he is not affected by this bill now, is he?

Mr. WITTE. No.

Senator HASTINGS. Suppose he continues to get \$250 a month until after 1942 and then he was suddenly reduced and comes within the act, that would be an illustration of a man that might be 45 and would pay in for 20 years, and in that instance he would only get 25 percent against the other 40 percent.

Mr. WITTE. But he had the \$250 for 20 years and he should have made some provision for his own old age.

Senator HASTINGS. I am not complaining about it at all, I am just trying to find out what it means. I could not quite work it out. I did not quite understand why the difference should be made.

Mr. WITTE. I understand that these tables have been received in evidence, Senator. Those tables will give you the story.

Senator COSTIGAN. Dr. Witte, the Committee of which you have been chairman has had the aid of numerous actuaries and I suppose they have provided you with various reports on the subject about which you have been testifying. Is it possible for you to provide the committee or the chairman, Senator Harrison, with an index of the names of the actuaries and the reports which they have made to you, so they may be available to the members of the committee who may wish to inquire further into the sources of your testimony?

Mr. WITTE. Certainly. The list of actuarial consultants and the list of the other advisory committees is given in the appendix to the report of the committee, which was filed in Congress.

Senator COSTIGAN. Also the reports to the committee?

Mr. WITTE. Many of the reports to the Committee are in the form of these tables that we are submitting to you. We are submitting the entire story in the record, Senator.

Senator COSTIGAN. You are submitting the entire net results, the entire story?

Mr. WITTE. Yes.

The CHAIRMAN. Will you, for the sake of the record, furnish that data?

Mr. WITTE. Certainly. (Data to be inserted later in the record.)

The CHAIRMAN. The printed report, other than those that appear in your testimony?

Mr. WITTE. We have no other printed reports Senator. We will be glad to include in our testimony any data that we have.

The CHAIRMAN. Now, Mr. Witte, the Secretary of Labor, Miss Perkins, is ready to proceed. I am sure you will be glad to defer to her and let her go on.

Mr. WITTE. Certainly.

Senator LAFOLLETTE. There is just one question I would like to ask Dr. Witte. Do the actuarial consultants all agree that each one of these plans was actuarially sound?

Mr. WITTE. Actuarially sound; yes. The tables that we have presented give the estimates as to cost. We have had a number of actuaries of very high reputation on our own staff; plus these we assembled a committee of actuarial consultants—outside actuaries—who went over all our actuarial computations and approved the estimates.

Senator HASTINGS. May I inquire whether or not any actuary has made an estimate of how much money it would be necessary to have now in a single fund to support this plan?

Mr. WITTE. To support this plan, the contributory system?

Senator HASTINGS. Yes. Suppose, for instance, in order to support it you had a fund drawing 3 percent interest, has anybody made an estimate of how much that fund would have to be for the moment?

Mr. WITTE. The estimate, Senator, is expressed in terms of an annual contribution. If you wish to have a flat annual contribution, the annual contribution would be approximately \$500,000,000.

Senator HASTINGS. You do not understand me. If instead of annual appropriations and collections in the form of taxes to take care of these payments under this section which I have called your attention to, namely section 405, paragraph 1 and 2, if you are going to put that in existence and wanted a fund to support it—I was wondering whether any actuary had estimated how large a fund you would have to have at the time it went into effect?

Mr. WITTE. \$17,000,000,000, sir. That assumes that instead of levying taxes you support this system out of interest. If you fund on the same basis the appropriations for veterans' pensions the sum would be only a little smaller. If you fund the Townsend plan, you would probably get figures such as the newspapers have reported in a suit in Los Angeles, where one man had sued another for septillion dollars. That would be approximately the amount you would have to have funded if you wish to support the Townsend plan from interest earnings.

Senator GORE. We would have to let the printing presses loose.

Mr. WITTE. Yes, sir.

Senator GORE. There is one question. Believing in the constitutionality of this bill as you do, you do not have any objection to the insertion in the bill of a provision authorizing any taxpayer or association of taxpayers to test the constitutionality of it?

Mr. WITTE. I think that is their right, isn't it, Senator?

Senator GORE. I do not think so under the Frothingham case. The Supreme Court held that there was no way Frothingham could get into court.

Mr. WITTE. Would an act of Congress make any difference?

Senator GORE. I think so.

The CHAIRMAN. Miss Perkins, just proceed in your own way in an explanation of this bill, please.

STATEMENT OF HON. FRANCES PERKINS, SECRETARY OF LABOR

Mr. Chairman, I am very appreciative of your offering me an opportunity at this time to make a statement with regard to the bill which is before your honorable body, and with regard to the principles which the President's Committee having the matter in charge considered, and with regard also to various recommendations which they made.

As you know, last June, after the President's message to Congress, he appointed a Committee on Economic Security and asked its members to study the ways, means, and the technical methods by which we could achieve, through the techniques of legislation, a program of

social security which would cover the major social hazards of life in the United States of America. This committee which consisted of four members of his Cabinet and the Administrator of Emergency Relief, has been at work throughout the summer and autumn, meeting with regularity every week to consider the problems as they were set up for us by a staff which was particularly engaged to study the more technical and difficult aspects. The staff engaged was familiar with one or another phase of the problem. It also discussed these problems with the technical board, which consisted of persons already in the employ of the Government, and themselves capable judges in the field in which the special investigations were being made. We therefore feel that we have, while not necessarily a perfect system, one which represents a conservative, a practical, and a flexible method of providing at least a minimum of social security against the major and more regular hazards of life in the United States of America.

The President's message outlined to Congress some of these major hazards which many citizens face at one time or another. It emphasized that there is a problem of dependency in childhood which is sometimes very devastating to the immediate present of the children and also to their future life. The message intimated that there ought to be some regular provision for the care of children and for bringing all the children under the benefits of a home life, rather than a scattered, intermittent care by institutions and foster parents.

The President also outlined what most of us have become aware of in recent years, the hazards of the wage workers in the United States of America.

We have all come to recognize, I think, the fact that a large proportion of our aged people find themselves, when they are 65 years old or over, either without personal means of support or dependent not upon their immediate families but upon some charity from the public, or voluntary gifts of people who are strangers to them. In addition to the combination of these hazards, together with that of illness which, when it does arrive, becomes a complicating factor in every family life, we have superimposed in recent years the particular hazard of unemployment. We have to recognize that these factors, although each exists alone as a hazard to security, may be combined. In any one particular family you may have all of these factors spelling a ruination of that family's prospects.

Most of us here recognize that these are factors over which they have no particular control. The incidence of illness or death, of old age, and of unemployment are hazards which no individual can control for himself, and our way of life in these days, our method of living by manufacturing and by merchandising, and only partly by agriculture, has complicated this situation and has made any family exposed to these hazards practically helpless, so far as anything which they themselves as individual units can do.

We have, therefore, come to recognize that these hazards are largely social in their nature. They have their origin in the way in which we carry on our business, industry, and financial systems, and therefore the method of protecting against them ought to rise out of some cooperative means. This, of course, means actually a mechanism devised by the Government to protect its citizens against some of these worst hazards.

All of us realize that originally, in more primitive society, matters which pertained to the security of individuals were essentially regarded as matters of the locality and were handled locally. The breaking down, however, of the barriers between localities due to transportation and rapid communication, and our industrial and financial systems, has made it quite clear that what happens to the people of a State or town or city, is not necessarily caused by any action which has been taken in that town or that city, or by any lack of wisdom on the part of those who conduct the affairs of that locality. Neither is that locality in the position financially always to meet the devastation which has come to the individuals of that community.

Therefore we have recognized that the Federal Government has for the first time, in stepping into the picture in the form of relief, realized the general national responsibility for these social disasters and devastations which have accompanied this depression, but many of which were present, at least potentially, in other years.

The Government has had, and must continue to have, a view of the future. It is of course in the viewing of the future that sound statesmanship consists. The fact that people who are now Members of Congress can conceive of a future situation in which children who are now young may find themselves faced with a hazard either of old age or unemployment, or sickness, for which no provision has been made, and can recognize that unless there is a social provision for them the life of the generation that follows us may be infinitely complicated, in evidence of the sound statesmanship of your honorable body. Many of your Members have long been concerned with the ways and means by which some such social provision can be made for laying up in advance the reserves out of which some kind of assistance can be provided in the future.

The problem of unemployment, and at least for the present, the problems incident to the other forms of dependency, are partly national and partly local. When a national crisis engulfs the great majority of the working people, unemployment is clearly a national problem, as we have all recognized in these last few years. In normal times, and even during periods of slight or minor depressions, many workers are thrown out of employment for short periods of time and their difficulties are much more acutely recognized by officials in charge of the local and State governments than they are by the National Government.

We have come to recognize that no local government and no individual employer can be held responsible for the unemployment which accrues during these world-wide depressions, that that is really a situation over which he individually has no control. But we recognize that certain parts of the seasonal unemployment, of that due to technical improvements, and of that due to the practice of certain industries in keeping large numbers of men partially attached to the industry for use in rush periods or peak loads are due to an inadequate social conception by the employer of the problem which is before him. It can, therefore, properly be assessed as blame upon him, and he should properly, under the stimulation of his local and State governments as well as of the National Government, be urged to find ways and means to prevent the very unemployment which forms a real cause of poverty and destitution when it does occur.

Nevertheless, we recognize that the accumulation of these various types of unemployment, together with world-wide depressions which are partially financial and partly economic in their causes, creates a situation over which no employer has any control. The thing for us to do as a group is to provide socially for the method of taking care of the people who are most adversely affected by such a depression. We recognize of course that everyone is affected under such conditions, but the suffering is not the same in degree. Some people are put in the position of complete destitution by a depression which causes unemployment, while others are only somewhat handicapped and have their incomes reduced.

Therefore it becomes necessary for us to consider ways and means by which we may regularly, over a long period of time, provide for a small but regular income for those who are put out of work during periods of depression through no fault of their own, for those affected for shorter periods due to technical improvement of machinery or to the seasonal fluctuations of industry over which they have no control, and for those affected by movements of industry from one section of the country to another. For instance, the general trend of one industry from New England States to the Southern States has put out of work in the New England States a large number of people who were formerly attached to that industry. For those who were left behind in those eastern industrial States there was a prolonged period of social readjustment for which no particular provision was made, and which constituted, in those States, a very serious cause of destitution. So, all things considered, it seems wise to take steps in advance to provide for a steady income to people when they are unemployed through no fault of their own, a steady income to people who are old and therefore no longer in a position to earn their own living, and a steady and certain method of living for dependent children who are deprived of their natural breadwinners while they are still young and dependent. We should provide, too, for at least such assistance as is necessary to provide proper medical care to persons whose incomes are taken away from them by the fact of illness either of the breadwinner or illness of some important member of the family whose illness makes a drain upon the savings and earnings. The savings and earnings of a family which is already in the low-income group can be quickly devastated by any unfortunate circumstance.

This bill, therefore, has put together, and this report which accompanied the bill has considered all these aspects of social security together. We should have to pay a much larger sum, I think, if we thought of each of these aspects of life as separate and independent problems, when they are really related problems. They all relate to the same general group of people in the community, those who work for wages, whose opportunity to make a living depends upon the enterprise, the ingenuity and success of others who are in charge of the industrial life of the community. It affects the low-income group primarily and those who never, in the course of their working years, are in the position of becoming both substantial purchasers of the mass production of our great community and at the same time suffer the lack of sufficient funds to tide themselves over unfortunate periods.

In thinking of the validity of a social means of providing against social insecurity, we have to recognize that in a method of production by machinery and by the application of power to machinery we have

built up a positive necessity for mass consumption to balance our mass production. If people are not able to buy in large amounts the product of our great industries, those industries cannot continue to operate to produce goods, to make them and to sell them at profit sufficient to attract to that industry the capital of the country. Without purchasers with money in their pockets, the wheels of that industry cannot keep going on the basis of a large machinery investment, a large building and plant structure investment, a large investment in overhead of engineering and the management skills necessary to keep up the mass production. So we must anticipate in the future the building up, within this community, of a large and steady purchasing power for a large number of people.

Senator COSTIGAN. In asking us to think of the subjects contained in the pending bill, as interrelated, are you suggesting to the committee that administrative expense would probably increase if we were to have separate measures rather than a consolidated measure?

Secretary PERKINS. I think the administrative expenses would be greatly increased, sir. I also think that if these bills were adopted piecemeal over a period of years the total cost upon the industrial system would undoubtedly be larger eventually. All of us are concerned with the fact, for instance, that old age in many instances today begins at 50, if the man who is laid off for some reason or other during the depression finds he cannot get back to work on the theory that he is too old. We could gradually be asked to extend our old-age coverage to cover a man of that age; but no industrial system which any of us sets up today could possibly afford to maintain all the people over 50 years of age who happened to be without work. But if we think of it as a problem of unemployment, if we think of the man of 50 as being a part of the unemployment problem and realize that the cost of his maintenance should be properly assessable against the unemployment fund, then we begin to treat his problem in a different way. We begin to recognize the extent to which we may, as a group, expect his services and his energies and abilities to be fulfilled in some form of public work or public service during the years between 50 and 65, when he becomes superannuated according to any technical definition. In the long run we should find it a much more economical system for the whole of society if we consider all of these measures as dovetailing with each other.

The CHAIRMAN. Miss Perkins, would you prefer not to be interrupted until you have made your first statement?

Secretary PERKINS. Perhaps I was getting loquacious, sir.

The CHAIRMAN. No; I thought perhaps you would rather not be interrupted; I thought you would rather make your full statement and then answer the questions.

Secretary PERKINS. I shall do whatever seems best to you, sir. I will try to be quick and to run over what I think will be the outline of the case first.

The old-age problem is stated in this bill in two ways. First it recognizes that we have the present aged, those who are now 65 years of age and over and who are needy. Some method must be found of providing for them. The Committee on Economic Security, after canvassing the situation, thought it best to recommend to your honorable body that there should be provided a system of old-age pensions. By the word "pensions" we mean free, noncontributory

allotments for the support of aged and indigent persons. There should be a system of these old-age pensions based upon cooperation between the States and Federal Government. The Federal Government should annually make appropriations sufficient to meet one-half the cost of maintaining such pensions to the aged and indigent in the various States, matching the appropriations which each State might make, providing that the Federal appropriation should not in any event be more than \$15 per month per case. That does not of course limit the amount, as has been explained to you, which any individual State may choose to appropriate to its pensioners.

If the State desires to make an appropriation of over \$15 per month and to raise the total pension to \$40 or \$50 by virtue of its own appropriation, there is nothing to prevent it. However, in order to bring some reality to the study of what might eventually be expected of the Federal Government, it was our thought that we had better recommend that the maximum which the Federal Government would contribute would be \$15, and this represents the practice of the more generous States at this time. Only two States, Massachusetts and New York, I think, appropriate more than \$30 a month, and they have larger pensions than that only in cases where the need is peculiar for some reason or other, such as illness.

A part of the bill, therefore, which deals with old-age pensions is, on the whole, relatively simple and merely provides for an annual grant in aid from the Federal Government to the States, to assist them with their old-age pension laws.

As you know, there are 28 States which now have old-age pension laws. In many of them, however, there has been a curious device by which, although there was a law with regard to it in the States, the counties were directed to pay the pensions out of their own funds. There is often no mandatory requirement upon the counties that they raise the funds and pay them out. It has been merely permissive to the counties, and the result is, in many instances, that poor counties have found themselves with an undue proportion of the aged and indigent, and have been unable to meet the demands upon them. The law on the books is therefore practically ineffective. It has been felt that we should make it a requirement that the States must, in every case, make a contribution themselves, and must make the payment of the counties' share, if it is done partly by the county, mandatory on the county.

The allotment to the States is left to an administrator who has to compute the costs annually and to make the appropriations to each of the States on the basis of their having met the standards set up by the bill, and their having provided the administrator with the proper reports as to the expenditures of the previous months. It is very important that we provide the administrator with authority to set standards as to the character and the amount of the pensions and the method of determining what is the necessary amount of the pensions: First, so that these funds shall not be wasted either by unduly and unnecessarily large pensions; and, second, so that they shall not be wasted by unduly small pensions which will not be really productive of purchasing power or anything that could possibly be called security.

A part of the essential assumption upon which this whole idea rests is that by paying over moneys to persons who would otherwise not have any income, you are creating purchasing power which will regu-

larly, year after year and month after month, sustain the purchases which are to be made from the great manufacturing and mercantile systems of the country. A part of the benefit of this pension is that it supports the individual and takes him off the relief rolls, and the other part of the benefit is that he creates a regular market for his local merchant and, through his local merchant, for the many manufacturing establishments which provide them with work.

Senator HASTINGS. Which one of the two is the more important?

Secretary PERKINS. I think they are equally important, sir.

Senator HASTINGS. You think that the expenditure of this money by the Federal Treasury to increase the purchasing power is of equal importance to furnishing food and clothing and a decent place in which the fellow lives?

Secretary PERKINS. I think the two things are inseparably related to each other. A part of the whole civilization of the United States of America rests upon the fact that we have been able to achieve a high standard of living. We have it not only because each individual has relatively a somewhat higher income, but also because our joint incomes create a large purchasing power which makes it possible to make a demand upon our manufacturers so that they have large mass production, which in turn lowers the price. It is a system which is really within a circle, and I think it is impossible to separate one from the other.

Senator HASTINGS. Well, the Townsend plan would create the greatest purchasing power of any, would not it?

Secretary PERKINS. It would create it perhaps for 1 month.

Senator HASTINGS. If that is true, that the purchasing power is important, why limit it to \$15?

Secretary PERKINS. Merely because, sir, we had upon the Committee persons who have, as one of their primary obligations in the Government of the United States, the safeguarding of the Treasury and of the funds of the United States. It was felt by them and by those of us who willingly accepted their analysis of the problem, that it was very unwise to make a raid on the Treasury for a matter of this sort, and we should keep these original appropriations within perfectly safe limits. If we find that we have got a larger national income than we think we have, we can act differently later; but so long as the national income is not greater than it is today it seemed wise to keep this whole appropriation within quite definite limits.

Senator HASTINGS. It is quite shocking to me to have you state that in your judgment the Congress ought to appropriate money for old-age pensions in order that the purchasing power of the country might be increased. I assumed all the time that the old-age pension plan was to make certain that the person receiving it had principally food and clothing and a place in which to live. Certainly no amount that has been recommended would do more than that, and I assumed the object, the whole object of it was to make certain that aged persons did not go hungry and did not suffer, but you state that in your judgment it is of equal importance that the purchasing power of the country be increased. That is what I understand you to say.

Secretary PERKINS. Yes, sir.

Senator HASTINGS. All right.

Secretary PERKINS. Because insofar as the purchasing power of the country is increased you get the demand upon industry for production

of goods, which will in turn make employment for persons now unemployed, and part of that you will revive their employment and revive their normal part in the life of the community.

Senator HASTINGS. I had assumed the purchasing power part of it was merely incidental and not an important part to be considered.

Secretary PERKINS. Perhaps I overstated the importance of maintaining purchasing power, but I think that it is a matter so related to the maintenance of the individual as to warrant our considering it at the same time that we considered the desirability of keeping an aged person alive. That is, he is important to himself and he is also important to the community insofar as he spends his money.

Senator HASTINGS. I should not have interrupted you except I thought you had overestimated it.

Secretary PERKINS. Thank you, sir, for your interruption.

Senator CONNALLY. You would not recommend that they spend each month their allocation in order to get the next month's pay?

Secretary PERKINS. No, sir.

Senator LA FOLLETTE. It probably would be necessary.

Senator CONNALLY. It may not be necessary. That is the feature in some of these plans. I did not assume it was in this plan.

Secretary PERKINS. Whether the allowance is small or large, I think to require it to be spent within any 30 days would not result in its most satisfactory expenditure either for the individual or for the community.

The portion of the bill which deals with old age insurance is based of course upon another assumption. It is based upon the assumption that individuals now young, now of working age, can, during their working years, make provisions for their own future, so that as a part of a social system they may, when they come to the age of 65, have as an earned benefit a certain monthly allowance, which they have regularly built up over all the years of their working life.

We have tried to follow the injunction to make this a self-maintaining system, and to provide that the contributions in the form of premium by working people and their employers over the years of their working life shall be sufficient to guarantee an earned income, to which they have a contractual right, which they do not have to get as a matter of need or poverty but which represents a percentage of their earnings during their working years. The annuity should also have some relation to the number of contributions made on their behalf, some relationship to the number of years over which wages have been earned and contributions have been made.

The plan which is called old-age insurance therefore rests upon a fund built up gradually over a long period of time. No insurance policy is very easy reading and most of us I think never get beyond the first preamble of the policy which we buy for ourselves.

Senator BARKLEY. It is rather good reading after the life of the insured.

Secretary PERKINS. But most of us, during the life of the insured, do not read it. Sometimes after the life of the insured we read it with some astonishment. Life insurance, however, is much more thoroughly understood than endowment insurance, annuity insurance, accident and health insurance, and all those sorts of policies which is full of complications. As we know, in recent years there have been many variations even upon a straight life policy which have been introduced

as interesting features, and which are sometimes difficult for the layman to understand.

The plan here recommended has the advantage of being a relatively simple and easily understood method of insurance. It is based on the conception that there should be payments made regularly by those at work, those who are employed, and by their employers, in equal amounts. We have suggested that the contributions begin at the rate of 1 percent of pay roll in the year 1937, and that there should be an increase up to 5 percent at the end of 20 years. It will be necessary, in order to support this system of payments which are recommended in the bill, to anticipate that eventually 5 percent contributions will be needed—2½ percent from employers and 2½ percent from employees. It seemed better to us not to suggest imposing this tax immediately because, first, it would be possibly something of a shock when it first goes into effect, and, second, the moneys will not be needed to pay out for such a long time, that in the original years of the fund the income will greatly exceed the outgo because the vast majority of those contributing will be young or relatively young and therefore will make contributions in excess of the amount required for the retirement of aged persons.

In order to make the system entirely self-supporting, however, and to provide relatively large annuities for persons who are now 50 and 55 and therefore will not have the opportunity to pay over a long period of years, it will be necessary either to borrow from this fund which is contributed only by those who are now young, or to put the original payments at a much higher level than 1 percent. If the initial tax rate is 4 percent, you could carry substantial earned annuities to those who are now 50 and 55 years old. Or we could anticipate a relatively long period in which there is a borrowing from the fund contributed by the younger people to pay the annuities to persons who become 65 but who, at the beginning of the system, are 50, 55, and 60 years of age and therefore get to the retirement age before they have had time to build up, by individual contributions, a reserve adequate to meet the payments which they can naturally expect.

I think most of us, in looking at the picture, would not be willing to accept a system in which persons now over 65 years of age are entitled to a free pension because they are indigent and in which persons who are now 30 years of age, by making the contributions, can assure themselves of an annuity of \$30, \$35, \$40, and \$45 when they are 65 years of age, but in which the persons now 45, 50, and 55 can look forward to an annuity of only \$10, or \$8 per month. The group that will receive, at the age of 65, only their earned benefits, under the insurance scheme would be getting too low a sum either to satisfy our sense of social justice or really to provide them with the things that they need.

Therefore it seems best to include in the system persons who are now too old to make full contributions to their own old-age benefit and to provide for the payment of their annuities either out of a somewhat larger assessment at the beginning or out of the system of borrowing from the fund during the earlier years and then, at some later date when the fund gets to the point where the claims upon it become greater than its annual income, pay out of appropriations of the Government what is owed to the fund on those accumulated borrowings.

Senator LA FOLLETTE. Have you any estimate as to what those appropriations would be?

Secretary PERKINS. You mean at a future date?

Senator LA FOLLETTE. Yes.

Secretary PERKINS. If we should borrow every year, from 1942 on until 1965, sufficient sums to pay the claims of persons who had not made a full contribution, in 1965 the outgo of the fund would be a slightly larger figure than the income from payments, and beginning at that time there would have to be an annual appropriation which would work up to a peak about 1980. In 1980 you would come to the point of making the largest annual contribution, and from that time on that would have to be probably sustained in order to repay the fund from the earlier borrowings. That would amount to a billion and a half a year. That of course is an actuarial estimate based upon plans which we gave to the actuaries.

That has no significance, except that if you start at a low rate and do not borrow to pay annually out of appropriations, the total amount paid by the Government, to aged people will be greater. That is, if you make annual appropriations for old-age pensions for the next 25 or 30 years, the total amount paid by the Government out of general taxation will be somewhat larger than would be the total paid if you made the appropriation at the end. At any rate, there are some who think it better to keep the reserves smaller, that is, not to have the accumulation of a very large reserve fund, which would inevitably be created, if you took in income and did not pay it out. An ordinary insurance company which has reserves never uses the reserves, as you know; it pays its annual claims out of the income from interest and premiums, and it does not touch its reserves except in a case of liquidation or a very great emergency.

It has been thought by those who studied this matter from the point of view of the Treasury, and from the point of view of financial management, that it was wise not to let the reserves become too large. Fundamentally, in a case of this sort, the real security back of the system is the security of the Government and the large reserve is not needed, as it would in a regular insurance company in order to preserve the security of the fund.

The security of the bond rests upon the security of the Government, upon the credit of the Government, which of course is the only security which the insurance companies themselves have when they buy Government bonds.

Their security rests back eventually upon the credit of the Government to which they have loaned the money represented by the bond, and upon the Government's ability and intention to pay the interest annually to them, which is due upon those bonds.

In this case of a Government-operated old-age insurance you have the credit of the Government itself as the basic part of the reserve structure. Therefore it has been thought best by those who have specialized on the financial side to recommend that the reserve should not accumulate but that the collections annually should not be allowed to build up the reserve but that we should use them by borrowing from them to pay out the annual claims as they come up currently. It is perfectly possible to make a revision of that without impairing the system at all and to provide either that the fund shall be self-maintaining, with regard to the persons now 50 years of age, by putting a larger tax on pay rolls originally, that is an assessment

up to 4 percent, or that there should be an annual appropriation out of general tax funds to pay the supplementary benefit to persons who, though now 50, become 65 before they have earned the benefit under the insurance system. If they have earned the benefit of \$10 a month, which is theirs as a contractual right, there could be an appropriation by the Government to give them an additional or supplemental benefit up to a living standard. It is a simple matter to change it one way or the other. We know the problem, and it is a question of policy, really, as to which is the best way to provide. We thought it wise to recommend the borrowing system.

Senator LA FOLLETTE. Would you have someone furnish for the record, Madam Secretary, the necessary material to show what would have to be done in either one of these two alternatives that you have suggested in order to make the fund sound from the beginning?

Secretary PERKINS. Yes, sir. We can show you the alternatives, and we would be glad to check up the various alternatives. The actuaries have been working on those various alternatives and will be glad to present them to you, sir. At any event the total cost will be about the same one way or the other, that is the total cost to society. It is a matter of what pocket you take it from and the rate at which you take it.

Senator BARKLEY. Depending on whether you grant to the one fellow of advanced age the full benefit or only partial benefit?

Secretary PERKINS. Exactly. May I say, in order to explain that—and we talked and thought about this a great deal in the committee—may I say what brought us eventually to the decision of recommending the system of borrowing from the fund in the early years to pay the excess claims against it. It does make a situation whereby the younger people of each generation are contributing to the maintenance of the older people of that generation. That is, in 1945 and 1946 you borrow from the contributions of the young of that period to pay for the support of the people who become aged while that generation of persons (now 20 and 30 years old) is still young and contributing. This goes on until they in turn become 65, at which age the people who are then 20 and 30 are contributing to the fund out of which they are paid annuities.

Senator LA FOLLETTE. As I understand it, under the plan set up in the bill, you are going to borrow so heavily from the present generation for the care of the aged that by 1980 it will be necessary, as I understood you, to provide an annual appropriation of something like a billion and a half dollars.

Secretary PERKINS. Yes, sir. If you wanted to build this fund up and pay no benefits until persons now 30 years old became 65 years old, that is, postponed all the benefits for 35 years, you would not have any of that trouble. But you are starting with the problem of what to do with those who can make only partial contributions.

Senator LA FOLLETTE. I am not suggesting that you postpone the pay or that you pare down the benefits to those who are now approaching the age of 65, but knowing a little something about the reluctance and the difficulty of getting taxes increased, even in the face of the extraordinary expenditures already made for recovery efforts, it seems to me a little bit optimistic to assume it will be so easy to get that billion and a half dollars in 1980.

Secretary PERKINS. Well, sir, I have only this to say, that I think we certainly are entitled to anticipate that out of measures of this

sort there will come a substantial increase in the total national income. We are beginning to appreciate that income depends upon the velocity of the movement of money from hand to hand, and as income provided by the various security measures is plowed back into the population for spending it moves more rapidly and you get that increase in national income out of which taxes flow rather naturally and rather easily.

I realize that we must not bear down too hard upon the people in 1980 merely because none of us here present expects to pay taxes in that year. It is, of course, possible to spread that over a period of years and build up the fund earlier and in advance.

The matter of policy really to be considered is whether or not you want to build up your reserve or whether it is better not to build up your reserve and pay as you go. We came to the conclusion that it was better, from the point of view of maintaining and building up the national income, not to build up the reserve but to pay as you go. You could impose taxes earlier and repay the borrowings in partial payments every year over a long period of time and so make the total much less in the end, but you would be doing just the thing we were seeking to avoid—namely, building up a large reserve. It is, of course, a matter of policy to determine whether or not that reserve should be built up, and there are authorities much wiser than I am on the question of that particular policy. The people in the Treasury, and those associated in the Treasury, in financial advice, have given that matter much consideration. I naturally am bound to be advised by those who know more on that subject and have a wider experience than have I in that particular matter, so I concur with them.

Senator BARKLEY. Miss Perkins, would it give this more appeal to the public and would it give more stability to it if instead of these borrowings we did build up the reserve, because the reserve will be invested? After all, that would be a matter of bookkeeping.

Secretary PERKINS. It would be a matter of bookkeeping.

Senator BARKLEY. That appeals to me, because you start off the business in a rush the first day you open the doors. We do not know that that is going to be permanent. There might be a wave of prosperity that would wipe the thing off the books.

Senator CONNALLY. We could more easily pay back what had been borrowed.

Secretary PERKINS. These bonds, in any event, would be Government bonds. It rests upon the integrity and the security of the Government, in either event. I hope very much that you will discuss this with those members of the Treasury and financial experts rather than with me.

Senator LA FOLLETTE. I would just like to say, not to interrupt you further, that having been here in an era of alleged prosperity and also in one of economic crisis, I found the willingness of the Congress and Executive in both instances to tax being marked by its absence.

The CHAIRMAN. Miss Perkins, it is now 12 o'clock and the committee will have to go to the floor. Could you be here in the morning?

Secretary PERKINS. Yes, sir.

The CHAIRMAN. Would 10 o'clock suit you?

Secretary PERKINS. Yes, sir.

The CHAIRMAN. Thank you. The committee will adjourn until 10 o'clock tomorrow morning.

(Whereupon, at the hour of 12 o'clock noon, the committee adjourned until 10 a. m. of the following day.)

ECONOMIC SECURITY ACT

FRIDAY, JANUARY 25, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in the Finance Committee Room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

Present: Senators Harrison (chairman), King, Walsh, Barkley, Connally, Gore, Costigan, Clark, Byrd, Lonergan, Black, Gerry, Guffey, Couzens, Keyes, Metcalf, Hastings, and Capper.

The CHAIRMAN. Miss Perkins, you may proceed where you left off yesterday.

STATEMENT OF HON. FRANCES PERKINS, SECRETARY OF LABOR—Continued

Secretary PERKINS. I think, sir, that I should perhaps begin at this point on the discussion of the part of this bill which deals with unemployment insurance.

The CHAIRMAN. I think you have finished with reference to the pension feature.

Secretary PERKINS. I think I have finished all that I personally can develop on that.

The CHAIRMAN. Are there any questions any Senator desires to ask on the pension feature that was discussed yesterday? If not, Miss Perkins you may proceed with the unemployment-insurance feature of the bill.

Secretary PERKINS. I should like to say with regard to unemployment insurance that the circumstances of the last few years have certainly impressed most of us with the necessity of making preliminary provisions for benefits to unemployed persons in order to carry them, as individuals, through periods of depression when, through no fault of their own, they are without work, and also to provide that preliminary provision for their individual needs, or at least modify the relief programs as they affect localities, States, and even the Federal Government.

We have also, by observation of the condition of other countries having a modest scheme of unemployment insurance, come to a recognition that the small merchants of a locality, and those who provided them with their stock, had derived a benefit because persons out of work continued to buy the necessities of life and therefore helped to make a market for the whole community. That, of course, in its own turn, has a very definite and advantageous effect upon employment in other lines than in that first depressed.

Senator COUZENS. As I understand it, Miss Perkins, there is no contemplation of taking any of the premium out of the employee but out of the employer, is that correct?

Senator PERKINS. No, sir; that is not quite correct. This bill that is before you is merely a tax bill. It imposes a tax upon the pay rolls of all employers, which they pay into the Federal Treasury. This tax is not used in any way for purposes of making payments to the unemployed; it is merely tax paid into the Federal Government. The employer may offset against that tax any contribution which he has made to a compulsory unemployment insurance system under the laws of the State in which he does business. In other words, so far as the Federal Government goes, all it does is to put an ordinary excise tax upon the pay rolls which the employer must pay.

The CHAIRMAN. Is that up to 90 percent?

Secretary PERKINS. It may be offset up to 90 percent. The reason for not offsetting 100 percent is to have a 10 percent of 3 percent fund for administration. The experience of other countries indicated it cost about 10 percent as a proper and suitable provision for the administration of any such system.

Senator COUZENS. What becomes of the tax that goes into the Treasury?

Secretary PERKINS. It goes into the general tax fund.

Senator COUZENS. It is used for any purpose whatsoever?

Secretary PERKINS. It is used for any purpose that the Congress may determine in its appropriation bills. In other words, there is no advantage to the State in allowing the employers merely to pay the Federal tax. The State, then, has got to pay for distress due to unemployment in the form of relief, or something else. The advantage to them is having a compulsory unemployment insurance law in every State, to which every employer will be contributing. Such funds will be used for regular benefits to the unemployed persons in that State.

Senator BARKLEY. The tax is not taken out of the wages, it is not deducted from the wages of the employees?

Secretary PERKINS. The tax to the Federal Government is not deducted from the wages of the employees.

Senator BARKLEY. It is a tax on the employer?

Secretary PERKINS. It is a pure excise tax.

The CHAIRMAN. In other words, it does not work like the old-age pension proposition?

Secretary PERKINS. No. In the old-age pension proposition the Federal Government itself is running the system. It is collecting the funds and is responsible for their distribution and for the terms on which they can be distributed. In the unemployment insurance scheme, as recommended by this committee, provision is made for a State system of unemployment insurance, cooperating with the Federal Government, so that the funds are in the custody of the Treasury and therefore subject to the same care in every State. Also under this plan you get the advantage of this large protection and the credit of the Federal Government back of all these funds, wherever they are collected. The credit of the Federal Government is back of all of them and therefore there can be no question of the bankruptcies of any particular funds over a period of time.

Senator COUZENS. Now you spoke of the committee that worked on this.

Secretary PERKINS. Yes, sir.

Senator COUZENS. Did that committee reach any conclusions as to the question of contributions from employer and employee?

Secretary PERKINS. Our recommendation is that rather than a national system, that is, a Federal system run by the Federal Government, that there should be State insurance systems under laws by the States.

Senator COUZENS. I quite understand that.

Secretary PERKINS. The State should be free to make any kind of law it wants with regard to the source of unemployment insurance contributions or with regard to other matters.

Senator COUZENS. Miss Perkins, you understand there has been a good deal of discussion about the Federal Government taking the leadership.

Secretary PERKINS. Yes, sir.

Senator COUZENS. That is, I take it, largely on the theory that the leadership is put on the Federal Government to encourage unemployment insurance in the States.

Secretary PERKINS. Yes, sir.

Senator COUZENS. Have you any formula that you would recommend to the States in reference to that leadership?

Secretary PERKINS. Yes, sir.

Senator COUZENS. Will you tell it to us?

Secretary PERKINS. Yes, sir. It is not important from the point of view of the soundness of the fund and from the point of view of getting benefits into the hands of the unemployed when they are unemployed how the fund should be collected. That is not a significant matter. That is a matter of policy, as to how and from whom you want to collect the assessments. We have, therefore, thought it better to recommend to Congress that the States determine that for themselves in each case. Whether or not there should be contributions from employers alone to the State funds, or contributions from employers and employees, or contributions from employers, employees, and Government is a matter for each State legislature to decide.

There are three general points of view with regard to how these contributions should be collected and different people hold different views. The States are likely to want varied experiments on this point. The Committee thought it well to allow for this variation and to try out the theories in regard to collections of assessments, from the point of view of the soundness of the insurance fund and the security of the benefit payments to the persons who are entitled to those benefits when they are out of work. The important thing is that they shall be collected and that they shall be distributed at the time when the hazard arises against which that insurance has provided, and distributed to the persons who are legitimately unemployed. Therefore we have thought it wise to recommend to the States that they decide for themselves, as to whether there should be employer contribution, whether there should be employee contribution, and whether there should be contributions from the State government out of general taxation. It is a matter on which, in the different States, you will find rather different types of opinion. The opinion has something to do with the experience and the background of the State and its degree

of industrialization. It has something to do with the size of the population and the number of persons in the State who are going to be covered. In a State where there is a tremendous number of low-paid employees the difficulty of collecting the fund is perhaps going to be insurmountable in the minds of the legislature of that State, and the same thing applies to States where they have relatively a small population, with only two or three prominent industries.

Senator WALSH. You leave it to the States to determine the amount of insurance to be paid?

Secretary PERKINS. Yes.

Senator WALSH. You leave to the States the method of collecting the fund, of raising the money. Now do you leave it to them as to how it should be paid?

Secretary PERKINS. Yes, sir; as to how it should be paid, how long the waiting period shall be.

Senator WALSH. Does not the bill fix that amount?

Secretary PERKINS. They have to pay the 3-percent tax to the Federal Government if the State does not set up a fund which is adequate to maintain an insurance system which will pay to an individual a percentage of his previous earnings. The number of weeks of compensation has to be balanced with the length of the waiting period, naturally. If you have a long waiting period you may then have a longer period of benefits. If you have a short waiting period you will have a shorter period of benefits, naturally. It will not cover so many weeks because the cost will be much higher.

Senator COUZENS. May I pursue one more question? You say your committee did not determine the question of contributions to the fund. When you reached that conclusion may I ask if the committee studied the question of the wages provided in N. R. A. codes?

Secretary PERKINS. Yes, sir; and they took into consideration the general wage levels of the country, both in the codes and before the codes.

Senator COUZENS. Now, if the codes are in existence—and it seems to me as though they may be perpetuated—it does not seem conceivable that any committee could reach a conclusion that there was any opportunity in the world to get contributions from employees.

Secretary PERKINS. In some cases, sir, there are State commissions appointed to study these problems which have recurred to these States that there should be employee contributions.

Senator COUZENS. Miss Perkins, I am still at a loss to understand why the Federal Government, which is to assume the leadership, should go out and assume to lead the States into some form of unemployment insurance, with the contemplation in mind that they may deduct some of it from employees, when the wage scales provided in the codes do not leave any leeway for a deduction from the employees, when they are outrageously low. I think it poor leadership on the part of the Federal Government if they are going to leave to the States the judgment of deducting revenues from the employees, with these low standards of wages, to create unemployment in turn.

Secretary PERKINS. Senator, if I were voting in the legislature of the State of New York, of which I am a resident, I should certainly vote against any employee contributions. I agree with you in practice as to the sources of collection. I am opposed to employee

contributions. I think they are unnecessary, troublesome, and not justified by the average level of wages in this country at this time.

Also, I think that the employees will pay off these costs in a variety of other ways over the course of a lifetime. That is inevitable. Nevertheless, I voted in this committee for the idea of permitting to the States the freedom to experiment in the matter of contributions, the source of contributions, as I was fundamentally impressed with the wisdom and the propriety of allowing the building up of some experience in this country with regard to particular methods of contributions, as well as with regard to the matter of whether the funds should be pooled or whether they should be plant reserve funds. If I were voting in the State legislature I would vote in favor of a pooled fund rather than plant reserve funds, as I think it is more secure, more sound, less troublesome, and on the whole have better results. But very conscientious citizens in some States are in favor of reserve funds for their States and want to experiment with them, believing they have a new idea, a new conception that may be utilized to operate to prevent a certain amount of unemployment. I do not think that we ought to cut off the people in the States from any experimentation that they want to give to various aspects of this problem, provided only that the Federal Government assures itself that the funds received are properly taken care of and are used for the benefit of the unemployed. With that I believe the States should be permitted considerable freedom. We shall probably get a better system at 20 years of experimentation than we will have by enforcing generally at this time my view or somebody else's view as to how the funds should be collected. As you know, there is a great difference of opinion among honest, informed people as to whether or not there should be contributions from both sources or from only one source.

Senator COUZENS. I am not trying to force the States to adopt any policy. It has been stated over and over again that the Federal Government should be the leader. I am not trying to force the States to do anything, but as long as we are assuming to be leaders in this question it seems to me we ought to have some definite views about what we would like the States to do and leave it, of course, to their judgment, as to whether they do it or not.

The CHAIRMAN. You do that, don't you?

Secretary PERKINS. No, we do not. We voted to allow the States considerable freedom.

The CHAIRMAN. I thought you said the States called on you for suggestions and you had certain suggestions to make to them.

Secretary PERKINS. I personally have certain suggestions to make to them, and the committee has several alternative model bills, so to speak, which can be drawn with reference to the methods of contribution. You do understand, I am sure, that the 3 percent, which is a Federal tax, is collected from the employers alone and not from employees.

Senator COUZENS. I understand that quite well, but, Miss Perkins you know that when you collect the tax from the employer he has every opportunity to pass it on to the consumer.

Secretary PERKINS. Yes, sir.

Senator COUZENS. While the employee has no chance either to get his wages raised or to pass it on.

Secretary PERKINS. Yes, sir. That is one of the reasons why I personally believe there is no necessity for having the employee contribution.

Senator BARKLEY. Since reference has been made to the scale of wages under the codes I should like to inquire how the scale of wages compares with the scale in the same industries prior to the adoption of the codes?

Secretary PERKINS. When one speaks of the scales one usually means the wages of the various classes of employees in the various industries, from the unskilled up to the highest skilled. In general the codes have operated to raise the income and the scale of wages of the lowest paid and the unskilled, and, in general, they have not operated to increase either the scale of wages or the earnings of those in the semiskilled and highly skilled groups. It was, of course, the purpose of the codes to lift the level of those who were paid below the subsistence level. There was no effort in most of the early codes to modify or to influence in any way the daily or hourly rate of wages in the skilled groups or above the subsistence level groups.

Senator BARKLEY. Did the reduction in hours affect the higher strata of employees?

Secretary PERKINS. The reduction in hours in some instances reduced the total weekly earnings of those in the highly skilled groups.

Senator WALSH. That is one of the claims in the textile industry, isn't it?

Secretary PERKINS. Yes; it is one of the claims, but that is not quite so, because there was an increase in the actual amount of employment over a year, so that the total earnings did increase.

Senator WALSH. The code does not grade and fix the wages in the different grades above the minimum?

Secretary PERKINS. The code does not fix the wages above the minimum, merely indicating that those persons in the industry who, at the time the minimum wage was adopted, were receiving what now became the minimum but which had formerly been above the minimum, should have a proportionate increase. That is, that those who received \$12 before that became the minimum should be raised to a point where they were as much above \$12 as they were above the lowest paid below their previous low pay.

Senator COSTIGAN. Miss Perkins, is it a fair conclusion from what has been said that the codes have operated to raise the minimum wages?

Secretary PERKINS. Yes, sir; very substantially, and by that to increase the total of money going into the pay rolls.

Senator COSTIGAN. The total annual earnings of those who were in the lower groups?

Secretary PERKINS. Yes; the total annual earnings of those who were in the lower groups.

Senator BARKLEY. Did the reduction in the weekly hours of work of those in the higher groups result in hiring more people in those groups, or was there an increase in compensation per hour or per week to the aggregate of those groups who were employed?

Secretary PERKINS. That has varied, sir, between different industries. In some industries the answer would be "Yes," and in other industries the answer would be "No." It has depended considerably upon the actual market demands upon that industry and upon

the degree of equipment for production in that industry. That whole subject is being studied now by the Division of Research in the N. R. A., as well as by the United States Department of Labor. The answers are intricate. You cannot make general answers from hearsay.

Senator KING. Perhaps the question I will propound is not germane to the general discussion.

Secretary PERKINS. I may not be able to answer, sir.

Senator KING. I think you can. A number of complaints have come to me from persons who were conducting what might be denominated smaller business enterprises and they claim that the codes have compelled them to shut down entirely. I was wondering whether the closing out was sufficiently great, whether there was a sufficient number of those in the smaller industries and businesses as to reduce in the aggregate the number of employees who belonged to the minimum wage class.

Secretary PERKINS. I think I am safe in answering that, sir; although I should like to write you a memorandum on it after making a careful statistical study on it through our Department. I am quite sure that even in the minimum level groups there has been the same general proportion of increase in the number of persons employed as has been shown throughout the total industry. Practically every one of the manufacturing industries shows an increase in the number of persons employed since the code went into effect. There are a few industries which can be said to be declining industries, such as carriage making, for instance, where there has been no increase in the number of persons employed. In practically every leading industry in the country there has been an increase in the total number of persons employed. I think that the same proportion of increase has been in the minimum wage groups as in the other groups, although we have never analyzed it in that way. There has been a total increase in the number of persons employed in each of the industries.

Senator KING. Has not the complaint frequently come to your Department, and echoes found in the public press, perhaps in the addresses made by public men, that the codes have tended to increase the monopolistic power of a more limited number of organizations?

Secretary PERKINS. Not very often, sir. The complaints of that nature which have come have been relatively few and on investigation usually seemed to be unfounded. Of course I do think that every precaution should be taken in the development of these codes to protect those small enterprises. I am not certain that they can best be protected by giving them a favorable differential in hours and wages over the larger group. There is really no reason why they should not pay a wage and have working conditions which furnish at least a sufficient standard of living.

Senator BLACK. Miss Perkins, I want to ask you one or two questions. Senator Couzens brought up the question as to the imposition of contribution on the people at work. Is it not true that the tax employed under the bill necessarily is, in the main, a tax on the people at work?

Secretary PERKINS. Well, it will not be collected directly from them.

Senator BLACK. Certainly.

Secretary PERKINS. You mean, sir, I suppose, that it can be translated into the price?

Senator BLACK. Most of the consumers of consumable goods, are they not the people of low income?

Secretary PERKINS. Yes, sir.

Senator BLACK. Then is it not true that under this tax, as imposed, it will, in the main, be loaded upon those who purchase consumable goods and therefore will, in the main, be loaded upon those with smaller incomes?

Secretary PERKINS. Yes, sir.

Senator BLACK. Then is it not true that up to that extent it does not increase the aggregate purchasing power of the Nation.

Secretary PERKINS. I think it will increase the purchasing power.

Senator BLACK. Let me make it a little clearer. If a tax is imposed upon a wage earner who gets a thousand dollars a year and you impose a tax of 3 percent, directly or indirectly, through increasing the price of goods, or otherwise, upon that person, that naturally would not increase the aggregate purchasing power of the Nation, it simply would be shifting it from one person to another, would it not?

Secretary PERKINS. Possibly so, but you see in the imposition of a tax upon the pay roll you do, in a very large proportion of the cases, impose a tax at a point where it cannot all be passed on in price, and this is particularly true with the highly competitive industries that have to do with selling services and not with the selling of goods.

Senator BLACK. Yes.

Secretary PERKINS. You also impose a tax in this case upon persons who are retail merchants and have a pay roll on that account and only to a limited degree can they pass on portions of that tax in the form of price.

You also impose the same tax upon manufacturers of durable goods where also it is very difficult to pass directly to the low-income consumer any substantial portion of that tax. You get into the hands of the low-income groups, if an unemployment insurance fund is raised, a steady cash income which will be spent rapidly during periods of unemployment. The more rapidly it is spent, the more rapidly it turns over from hand to hand, the greater is the increase in the total income of that locality. The same dollar handed by me to the grocer is handed by the grocer to the druggist and by the druggist to the dry-goods man and becomes \$3 of income for that locality almost within a few minutes. So by putting cash into the hands of those who are the quickest spenders because they have the greatest unsatisfied wants, in periods at the beginning of depressions, an increased total income results. By maintaining their immediate purchasing power, you do, I think, increase the total income.

Senator BLACK. That is the stabilization of purchasing power by spreading out the purchasing power over the year rather than increasing it, is it not?

Secretary PERKINS. I do not think I agree with you. I think it does amount to an increase, because the people who spend their income most rapidly do create a greater increase in income.

Senator BLACK. In other words, a thousand-dollar-a-year man usually spends it all as quickly as he can, doesn't he?

Secretary PERKINS. Yes; but if you cut off, by virtue of unemployment, \$200 from his natural income, you do reduce his purchasing power. If you, by virtue of the unemployment-insurance benefits,

are paying him a portion of that \$200 at a time when otherwise he would have nothing to spend, you keep up the spending power and in that way you keep up the natural increase that arises from it, as he hands it to other people and they in turn spend it.

Senator BLACK. What I was trying to get at, if that tax was imposed upon those with such large incomes as are economically called surplus incomes, incomes over the amount necessary for the individual to buy consumable goods, then you would really be diverting money from the class that would not spend it to the class that would. That is correct, isn't it?

Secretary PERKINS. Perhaps I do not altogether follow you.

Senator BLACK. Let me see if I can make it clear, because it is coming right down to the way the tax is drawn.

Secretary PERKINS. If you would like my opinion as to what I think perhaps will be done, I could answer it easily.

Senator BLACK. I understood you to say yesterday, and I thoroughly agree with you, that under our economic system it is no longer possible to say that one locality should be charged wholly and completely with the care of those who have suffered by reason of the economic hazards. That is correct, is it not?

Secretary PERKINS. Yes. I was discussing that with regard to old-age pensions.

Senator BLACK. That is because, as I understood it, the economic system works in such a way that frequently the locality that produces the most wealth will not be the locality that contains the most wealth. That is the theory on which that is based, isn't it?

Secretary PERKINS. Well, possibly.

Senator BLACK. As I understand the unemployment insurance tax, it does not provide in any way whatever for \$1 of Federal aid to the States.

Secretary PERKINS. Not directly under an unemployment insurance tax. May I say that was considered, as to whether or not there should be a contribution out of general Federal taxes to maintain the systems. I am very glad to have you raise the question so that I may explain it. We decided that the greatest hazard to any of these funds and the greatest strain on any of these State funds, and the greatest insecurity and uncertainty arises regularly in the periods of world-wide or national depressions over which no group has any control and where the unemployment runs unpredictably long periods of time. We, therefore, after giving this matter very long and conscientious consideration, concluded that the best time for the Federal Government to make its contribution would be at times of long-term depressions and therefore long-term unemployment. So we recommended a supplemental system of work benefits which would be available after cash benefits had been exhausted. That is, we expect the States to provide systems of unemployment insurance which will pay cash benefits for limited periods of time, a period limited by the size of the fund and by the actuarial principles of keeping the fund sound.

Senator BLACK. A maximum of 6 months?

Secretary PERKINS. Fifteen weeks, perhaps or 26 weeks; the duration depends on various factors.

Senator BLACK. Yes.

Secretary PERKINS. Then, after any periods that became extreme depressions, as they will be when people have been unemployed more than 6 months, the Federal Government should step into the picture with a work program, paid for out of Federal taxes, and the persons unemployed beyond the exhaustion of their cash benefits should be entitled to a works benefit. We believe that you will, by that combination, get the advantage of establishing within the State where there is a small group subject to education and improved management, under some kind of State leadership, the benefit of the attempts to prevent unemployment and the attempts to stabilize, and that you will get a sound insurance fund which is not likely to be bankrupt. You will not have the anticipated contributions from the Government out of taxes to be raised at a period when they are least easy to raise. You will have the benefit of some employment stabilization, and at the same time you will have the added security, at the time of long depressions, of the Federal Government coming in with the works benefit, which will be paid for out of Federal taxes.

Senator BLACK. The long and short of it is, so far as unemployment insurance is concerned, the bill provides a method whereby the Federal Government taxes the industries in a State, and the Federal Government, contrary to all previous experience in Federal aid, does not aid the State with one dollar of any funds raised by the Federal Government outside of that which comes directly from the State itself.

Secretary PERKINS. Except for administration.

Senator BLACK. That is 10 percent of the total raised; yes. As I understood it yesterday, on the old-age pension proposition, if the borrowing system is followed, then you likewise have a contributory system whereby the Federal Government would not assist in that, would not assist the State. It is contemplated, in the second plan proposed, the plan of annuity, that it be contributed by the employers and employees within the State.

Secretary PERKINS. That goes directly to the Federal Government.

Senator BLACK. Sure, it goes directly to the Federal Government, but they get paid back in proportion to the amount they pay within the States.

Secretary PERKINS. No.

Senator BLACK. I want to be clear on that. As I understood the second proposal, or suggestion made for old-age pensions, under the first alternative that you outlined to Senator La Follette, the idea of Federal aid is abandoned on old-age pensions and we depend upon the contributions solely.

Secretary PERKINS. That is not within the State, sir. The compulsory old-age annuity plan is to be administered by the Federal Government and the collections will be made by the Federal Government, and the payment will be made to the Federal Government through whatever agency the Federal Government chooses. It is anticipated that the fund will carry itself as an insurance fund, except for the fact that we have the problem of making adequate provision for the persons who are now 40 years of age and over but not 65 and who, therefore, will not have, during the remaining period of their working years, sufficient time to make or have made on their behalf, contributions sufficient to give them the total benefit at 65 which those now 20 will get at 65 on the basis of an earned premium.

So you have that transition group, so to speak, as a problem for which some provision must be made in the interest of simple justice.

There are two or three alternatives. Either the Federal Government may appropriate out of general taxation currently to supplement their benefits when they become 65, or it may borrow from the contributions which are being made by the younger people.

Senator BLACK. People that work?

Secretary PERKINS. The younger people, people in the 20-year and 30-year group.

Senator BLACK. Yes.

Secretary PERKINS. It may borrow from those contributions to pay the supplementary benefits, but the Government will eventually have to pay them.

Senator BLACK. That is a question for the Senate committee to decide in passing the bill, but the difference between those two plans of raising taxes is the difference between the method adopted by the Federal Government which might be on large incomes or excess profits, or the methods provided in this bill of levying a tax on the employer, which eventually goes to the consumer. That is the difference in the two methods, is it not?

Secretary PERKINS. No, sir. I think without regard to which method you take, one is a method of raising taxes collectively and the other is a method of borrowing first and then raising taxes in 1965.

Senator BLACK. As you stated yesterday, one is taken from the younger workers and the other is a question of raising taxes by the Federal Government, if it ever will adopt it and follow it, by putting a tax upon excess profits, excess salaries, excess bonuses, high incomes, and high inheritances. If I understand this bill, if we pass it as it is written we are tied down absolutely so far as the 3 percent is concerned to the method of taxing the employer.

Secretary PERKINS. For unemployment insurance; yes, sir.

Senator BLACK. All right. So we are left no alternative, and the State is left no alternative, the State itself, insofar as that 3 percent is concerned—I am not talking about this addition, but insofar as that 3 percent is concerned—if they wanted to tax in New York State, for example, if they wanted to substitute for that 3-percent tax on the employer a tax on high incomes, high profits, high bonuses, and high salaries its hands would be tied, insofar as that 3-percent tax is concerned?

Secretary PERKINS. No, sir. I think there is a misconception there, if I may say so.

Senator BLACK. All right.

Secretary PERKINS. The 3-percent tax is a Federal tax to be paid into the Federal Treasury and not to be used for unemployment benefits. If the State in which the employer is operating has a compulsory unemployment insurance law to which he makes any contribution, or to which he makes a 3-percent contribution, then he is exempted entirely from paying the Federal tax, but he must pay a premium up to 3 percent into the compulsory fund of his State. His State is not prevented from making any contribution which it chooses to make out of its State funds, nor is it prevented from raising those funds in any way which it chooses. A State may make a law, that requires of all of its employers a 2½-percent contribution of their pay rolls and require no other contribution from anybody except

from the State itself. It might make a very large contribution from the State funds themselves in excess of the employers' contribution, matching it or doubling it or tripling it. A State could raise those funds in any way it chose, by inheritance taxes or any other method.

Senator BLACK. I understand that. Let us get back to the 3-percent proposition.

Secretary PERKINS. The employer will have to pay 3 percent.

Senator BLACK. Certainly he has to pay 3 percent in the State.

Secretary PERKINS. Yes, sir.

Senator BLACK. The State could not keep him from it if he wanted to.

Secretary PERKINS. He would have to pay it, either to the State or to the Federal Government.

Senator BLACK. If there were some other employers, that were making 200-percent profit, that were paying million dollar bonuses, if the State wanted to put the tax on them instead of the particular employer, it could not do it under this law, could it?

Secretary PERKINS. It could put an excess-profits tax on them in addition to the 3 percent and use it for any purpose it wished.

Senator BLACK. But this law fixes it to where the State is absolutely compelled, so far as those employers are concerned, irrespective of the fact that it may want to graduate that particular tax according to the profit made, on the income derived, its hands are tied and it cannot bear it.

Secretary PERKINS. The effect, if I might say, of the 3-percent tax is to equalize the competitive cost of manufacturing between the States, so that we will not have the argument (and sometimes it is a legitimate argument) that the lack of a certain cost upon an employer in one State is sufficient to give that particular employer the advantage, in competitive bidding, over the employer who makes the same line of goods in a State where they do have a charge which falls directly upon him. In other words, it equalizes the competitive factor by equalizing the amount of the contribution.

Senator BLACK. Did the committee find any precedent for a system of Federal aid, we will call it, or Federal coercion—that is what it amounts to, as far as I am concerned. I am for the Federal aid and if it be coercion, for this kind of insurance, but is there any precedent of any kind where the Federal Government has forced the passage of laws by States and where the Federal Government has not contributed in some way to that State? I am curious to know that.

Secretary PERKINS. Is not the inheritance tax on that basis?

Senator BLACK. The inheritance tax. Is there any other?

Secretary PERKINS. I do not at this moment think of one, but I am not an expert on all the statutes.

Senator BLACK. Of course, the inheritance tax is quite a different system from this.

Secretary PERKINS. But it was a device by which taxes were raised for the Federal Government and at the same time an incentive was given to the States to utilize a similar method.

Senator BLACK. If it be true, as stated by you yesterday—and I am sure that all who study modern economy in this country agree to it—that locally the people are a part of one national economic system. The hazards that are created are not created by them alone. They are thrown out of employment frequently in Maine by reason of

something that might perhaps happen economically in California or New York.

Secretary PERKINS. With modifications, sir, that is correct.

Senator BLACK. All right. Let us assume it then with modifications. As stated by you yesterday, as I understood it the economic system is such that it does bring hazards for which the local community is in no wise responsible economically.

Secretary PERKINS. It does bring some hazards for which the locality is not responsible.

Senator BLACK. They could not prevent it at all.

Secretary PERKINS. Some hazards; others they could.

Senator BLACK. Yes; some of them. The economic system operates in such a way that it will frequently take the wealth from one part of the Nation, produced by that part of the Nation, into other parts of the Nation. Why is it not fair, if the economic system does concentrate it into certain hands in certain communities, to have a Federal-aid system that will aid in counteracting such a tendency?

Secretary PERKINS. I think, sir, we have attempted to provide at least the basis for that in recommending to your honorable body direct appropriations for grants in aid to the State for old-age pensions for its aged and indigent, direct appropriations by the Federal Government of grants in aid to the State for the protection and care of dependent children, and for the protection and care of crippled and handicapped children, and for grants in aid for the care and provision for preventive activities on behalf of those who are sick. In those large aspects of misery and social adversity for which you cannot think up any really sound economic preventive methods, we are recommending direct grants in aid by the Federal Government to the State, beginning with small amounts, such as are recommended in this bill, to take care of present conditions. But with regard to unemployment insurance we have believed that to some extent unemployment is preventable in some businesses and localities, and perhaps that pressure for the development of preventive methods can be put most easily and most successfully upon various industries by local attention to the local situation.

There are industries in this country which, by improvement of their management methods, have actually stabilized or come near to stabilizing the amount of employment which they give. That has not meant, in those particular industries of which I have knowledge, any considerable cutting down of the number of persons employed. It has rather been an intelligent use of all of their resources to equalize employment throughout the year and over a 10-year period. Hence they were able to cut the price of the manufactured article so that it had a wider sale and therefore made for an extension of their industry, and at the same time to give steady employment to their employees.

Now, that has happened in individual cases and in enough cases so that I am convinced there is a possibility for advance in that particular field.

There are certain forces over which no employer or manager, however good, intelligent, or well-intentioned, or however favorable the economic circumstances in his industry might be, has any control and which might sweep the best system off its feet. Those particular plants in which there had been careful planning for the purpose of

preventing unemployment and stabilizing employment have shown the least ill effects in their response to the deflationary or downward economic forces to which all industries have been subjected in some degree. We have, of course, sufficient data from which to draw general conclusions. It may be said that only those industries that have a natural favorable economic situation are the ones from which we have gotten the data and that certain industries are, by their nature, seasonal. There is nothing I can think of at this moment which will overcome some of the seasonal characteristics of that industry, but there are other industries which have shown, historically, a seasonal rise and fall, a seasonal period of high production and high employment, and a following season where there were wholesale lay-offs. There are certain features that have convinced all of us who have studied the situation that we can, by definite human ingenuity, prevent that extreme seasonal dip, and can iron out, as we say, the peaks and valleys.

Canning is about as seasonal an industry as there is, responding as it does to the crops, but there are two or three canning factories in this country where, by planning, they have ironed out the peaks and valleys and have come to a practically stable amount of production and a practical stable amount of employment, and therefore have a regular monthly pay roll.

As you know, the automobile industry has regularly shown, in recent years, these extreme peaks and valleys of employment and production. There is now a group which believes that by certain changes in the method of planning and of selling they can greatly reduce the seasonal variation in the amount of employment and unemployment. My own belief is that we have begun to exhaust the possibilities of preventing unemployment by preventing seasonal unemployment, due to minor depressions, and to technological changes. We have begun to explore the possibilities of preventing some of that unemployment. There are other aspects that cannot be prevented by any means now known to the human mind. All of these great major depressions create so much incidental unemployment that no preliminary planning can seriously affect them. I think the combination of all of them is the important thing to consider.

Senator BLACK. Let me see if I understand the basis of your viewpoint for distinguishing between the two. As I understand it, then, it is your view, so far as unemployment insurance is concerned, that it takes care of temporary unemployment only?

Secretary PERKINS. That is all.

Senator BLACK. Probably caused by technological changes, shifting from one plant to another, or temporarily closing down of a plant.

Secretary PERKINS. Seasonal variation.

Senator BLACK. So far as that is concerned it is your opinion, and perhaps the opinion of the committee, that it is proper for that to be taken care of locally on the theory that if local communities have to take care of it it would be an incentive to reduce such temporary unemployment?

Secretary PERKINS. Yes, sir.

Senator BLACK. But insofar as unemployment lasting over a long period of time is concerned, the hazards of health, hazards of old age—

Secretary PERKINS. And dependency of youth.

Senator BLACK. And dependency of youth, over a long period, that the committee is of the opinion that that is not purely local and would call for Federal aid to the localities.

Secretary PERKINS. Yes, sir.

Senator BLACK. Thank you.

Secretary PERKINS. That is the principle involved in this bill.

Senator HASTINGS. Miss Perkins, the tax is the same on the industry that is well managed, so far as it relates to its unemployed, as it is upon the industry that is not managed so well, isn't it, under this bill?

Secretary PERKINS. That will depend entirely upon the State laws, sir. A given State, in its unemployment insurance law, might provide for a higher premium for industries with a higher rate of unemployment, if it wished to.

Senator HASTINGS. A State could not do that.

Secretary PERKINS. Yes, the State could assess an employer at any rate it wished to fix.

Senator HASTINGS. Yes, but they could not levy a 3-percent tax on an industry on one side of the street and a 4-percent tax on an industry on the other side of the street.

Secretary PERKINS. Yes.

Senator HASTINGS. I do not know of any State constitution that would permit that.

Secretary PERKINS. That is not a tax, you see, it is an assessment to a fund. Wisconsin, in its present law, attempts to do that. There are ways by which you can permit them to contract out, if they were to do it, under the State laws, contract out on the basis of the actual cost of their own unemployment.

Senator HASTINGS. Is it hoped that the various legislatures will meet within this short period, while they are now in session, to work out all those details and pass a law so they may take advantage of this 3-percent tax?

Secretary PERKINS. Yes, sir; it is hoped that a great majority of the State legislatures now in session will pass some form of unemployment insurance suitable for their locality and which will be what the people in that State think is the wisest way of carrying on their unemployment insurance system.

Senator BARKLEY. Miss Perkins, let me ask you a question or two. Heretofore we have held out a sort of an inducement to the States to do the right thing along different lines, such as building roads, engaging in public health activities, vocational training, agricultural extension, and other things, by providing certain funds out of the Treasury and stating to the States that, "If you match this appropriation at least dollar for dollar you can take advantage of the appropriation made for the purposes." That was a sort of inducement under which they could take advantage of the general tax for the benefits of roads, schools, farms, and what not.

Now, in this, we have departed, it seems, from the theory of inducement, because we levy this tax against the employers of all the States and we say:

If you pass a law yourselves you can keep your share of this, whatever you would pay into the Federal Treasury you can keep, but if you do not pass such a law as this, this money goes into the general fund and it may be used for unem-

ployment insurance or it may be used to build battleships or anything else that the Federal Government might want to expend it for.

I should like to have your theory as to the justification of this form of coercion or intimidation or whatever it is. It is just a little different from inducement, because the theory is a little different. I am bothered, as I told you yesterday, about the theory that we are to collect a tax from the States and say, "If you do not pass a law yourself we are going to take it away from you, and you do not get any of it back."

Secretary PERKINS. You see, sir, if it is given back to the States, we will say for unemployment relief, you have then removed the incentive to the State to pass a suitable law of its own. The purpose of the Federal tax is to equalize the cost of doing business in every State, so far as it can be equalized, with regard to taking care of unemployed persons.

Senator BARKLEY. Many States have passed the retail sales tax and there has been great opposition to it, in that one State for instance because it did not apply to other States bordering it, therefore it was an injustice to the merchants in the States in which the tax was levied. There is a good deal of justification, I think, for the uniformity of the tax so as to put all manufacturers and all employers on the same basis. But let us assume that only 10 States would pass an unemployment insurance law and the entire fund of 3 percent is collected and put into the Federal Treasury. I think it fair to assume that there would be a surplus in the Federal Treasury out of that fund over and above what would be paid on unemployment insurance in States that enacted laws, there would be additional funds in the Treasury.

Secretary PERKINS. Which would probably be used for Federal relief, if that were the case.

Senator BARKLEY. That is a different matter. Do not you think it would be a good idea to earmark all the tax money that is produced by the 3 percent that is collected for unemployment insurance? If all the States do not take advantage of it and enact their own laws so they get back into the State for unemployment purposes only the amount of tax raised, do not you think that that money ought to be earmarked in the Treasury for that purpose alone and not spent for general public purposes, so when the time came that all the States enacted this uniform system, or most of them enacted it, or at any other time, that money collected from employers for unemployment insurance, either through the distribution of the Federal Government or the States, should go for that purpose and not for general purposes?

Secretary PERKINS. That would seem to me, sir, not to offer an inducement or any incentive for the passing of these laws, if the States are to get it back anyhow in the form of unemployment relief.

Senator BARKLEY. I am not speaking now of each State getting back the identical money it paid in.

Secretary PERKINS. Using it for unemployment insurance?

Senator BARKLEY. But using it for unemployment insurance, or in some capacity somewhere.

Secretary PERKINS. Ordinarily such revenues are not earmarked.

Senator BARKLEY. Congress can ear-mark it by providing for that, by providing that it shall be put into a fund. It seems to me there is serious objection to the collection of a tax for a definite purpose,

like unemployment insurance, and then use a considerable portion of that tax for general Government's expenses.

Secretary PERKINS. This tax is not collected for unemployment insurance. This is a general tax. It is assumed that the Federal Government has an ample use for taxes and is always seeking new sources of revenue.

Senator BARKLEY. We would not be levying this tax except to provide for unemployment insurance.

Secretary PERKINS. To raise general funds for general purposes, and to encourage the States to pass unemployment insurance laws of their own.

Senator BARKLEY. And penalize them if they do not?

Secretary PERKINS. It only penalizes the employers, not the State generally.

Senator BARKLEY. It does not penalize the Government.

Senator COUZENS. In other words, if this was earmarked to go back to the States at some future time, there would be no incentive for the States to hurry up and create an unemployment-insurance law.

Secretary PERKINS. That is my thought, sir.

Senator HASTINGS. That is not Senator Barkley's suggestion.

Senator BARKLEY. I think the fund ought not to be dissipated for general purposes; it ought to be kept intact for unemployment insurance.

Secretary PERKINS. It might be kept intact in a fund from which the Government will draw to pay, for instance, for public works, which it is anticipated will have to be thrown in to provide a work benefit after the tax benefits have been exhausted in periods of deep depression. I am told by the Treasury that things like that are merely a bookkeeping procedure. If the Government has an obligation it has to pay the obligation, and whether you have earmarked the fund or not does not matter.

Senator BARKLEY. You do not believe that this tax, which is levied for the purposes of unemployment insurance, that any part of it ought to be spent for the support of the Army and Navy, or the diplomatic corps, or some other normal branch of the Federal Government?

Secretary PERKINS. It does not matter how this specific money is used, just as it does not matter whether, in paying my rent, I take the money out of the savings bank or out of my salary check.

Senator BARKLEY. That is your money.

Secretary PERKINS. The same is true with the Government, isn't it?

The CHAIRMAN. Miss Perkins, so far as you are concerned, and so far as your committee is concerned, you have no objection to making it a special fund, have you?

Secretary PERKINS. Except I would have a very great objection to making it a special fund which was ever to be returned to the States for paying unemployment insurance benefits. If you do that it is an advantage for each State to postpone the enactment of its own law.

The CHAIRMAN. Senator Barkley inquired on that proposition.

Senator BARKLEY. That is not the point of my inquiry.

Senator HASTINGS. Senator Barkley, may I make this suggestion and see if I get your point clear. It seems to me the point made by Senator Barkley is a good one, upon this theory, that if, for instance,

the Federal Government found it necessary at some future time to appropriate a certain amount of money for unemployment relief and it had an accumulated fund of \$100,000,000 that came from this act, it would feel very much easier about making the contribution upon the theory that it was originally collected for that purpose.

Senator BARKLEY. That is a kindred idea, yes.

Secretary PERKINS. I know very little about Treasury operations, but I presume if they had a hundred million dollars they offset that against some other borrowings they have to make, some other financing they have to do. It becomes a matter of purely technical methods of financing current expenses, and I do not think it makes any difference.

The CHAIRMAN. We will get the Treasury's viewpoint.

Senator GORE. Does the theory underlying this proposal here concerning which Senator Barkley has been inquiring proceed on the assumption that the Federal Government knows just a little better what the people in a given State ought to do on this subject than the people in the State?

Secretary PERKINS. No, I do not think it does, sir.

Senator GORE. I want to ask you another question. Do you want to ask a question on that particular point, Senator Walsh?

Senator WALSH. Senator, is not that implied in the provision here that the States must fix the age limit of 65 or rather than leaving that proposition to the States themselves?

Senator GORE. I think the whole implication is to that effect. I want to get her reaction on that.

Now, Miss Perkins, something was said yesterday about the Townsend plan. Doctor Witte said your committee had given some thought to that subject.

Secretary PERKINS. Yes.

Senator GORE. I would like to get your reaction to the Townsend plan, and the reaction of your committee.

Secretary PERKINS. The Townsend plan of course has been proposed in various communications to almost every public officer, in recent months.

Senator GORE. It certainly has.

Secretary PERKINS. It naturally came to those of us who were members of this committee, and it was considered at more than one session. After giving it what seemed to us due consideration, it appeared that it was impracticable and impossible from any kind of reckoning that we were able to do at this time.

Senator GORE. Was your objection to it then based upon principle or was it merely based upon the theory that the monthly payments were too large?

Secretary PERKINS. The total sum involved was too large, not only the monthly payments but the degree of coverage.

Senator GORE. What I want to get at is this: Does the Townsend plan differ from your plan merely in degree or is it different in kind and different in principle?

Secretary PERKINS. It is quite different in principle, in kind, and in degree.

Senator GORE. In what respect?

Secretary PERKINS. The old-age provision in this bill——

Senator GORE. The noncontributory part of it?

Secretary PERKINS. The noncontributory part of this bill provides for a pension for those who are aged and needy. Not those who are

aged and have funds, but those who are aged and needy, as judged by the people in their own locality.

Senator GORE. Then if the Townsend plan was limited to those who are aged and needy it would obviate your objection to it, would it?

Secretary PERKINS. Except as to the amount involved, which is too large.

Senator GORE. The amount is merely a matter of degree, it is not a matter of principle at all. That is all a matter of discretion.

Secretary PERKINS. That depends.

Senator GORE. Does the proposal involved in this legislation seek, in any sense, to substitute social security for the struggle for existence?

Secretary PERKINS. No, sir.

Senator GORE. It does not?

Secretary PERKINS. The struggle for existence, I take it, is a biological thing which goes right on.

Senator GORE. It has gone on for a long time, hasn't it?

Secretary PERKINS. Yes; and I suspect it will continue.

Senator GORE. Do not you think that we will, through cooperation between individuals, reach a stage in civilization where the struggle for existence will no longer be necessary?

Secretary PERKINS. No, sir.

Senator GORE. The major part of it?

Secretary PERKINS. No, sir.

Senator GORE. What factor would interfere with it?

Secretary PERKINS. Of course, my views on this matter are not important. I think the question of cooperation between individuals has accounted for as much civilization as any personal struggle. That is just my philosophical view.

Senator GORE. Can you secure people against the struggle for existence, and have the struggle, too?

Secretary PERKINS. Most of us have tried to give a certain security to those who are dependent upon us from the more serious aspect of the struggle for existence, and to a very large extent we have succeeded in civilizing society. That is the purpose of civilization.

Senator GORE. Those who receive security against the struggle you think will struggle anyway, and I suppose they will, as a general rule. Of course, there will be exceptions.

Secretary PERKINS. I do not think there has been any cessation in the struggle for existence because some who were subjected to infants' diseases were protected. Those who have not had infants' diseases have grown to be just as robust and bear the burdens of life as other people.

Senator GORE. We often hear that the children of the rich do not sometimes fare as well as those who have been up against realities in their youth, who have learned how to struggle. For some reason there is the impression that the children of the rich do not succeed. Some people suspect that is because they do not have to struggle.

Secretary PERKINS. A great many children of the rich do appear to me to be quite successful as human beings. But it is very difficult to draw conclusions. The number of children of the rich are comparatively few.

Senator BARKLEY. It is rather difficult to say what would have happened if something else had happened that did not happen.

Senator GORE. Now then, here your statement yesterday was that there were two objects in this whole old-age pension; one was to provide for the aged, to protect them against hunger and cold, and the other was to provide them with a purchasing power.

Secretary PERKINS. Yes.

Senator GORE. The two, as I understood you, were equally important?

Secretary PERKINS. Yes.

Senator GORE. You stated mass production called for mass consumption and when you provided these old people with a purchasing power they expended it for the manufacturers' product at retail. Does not this plan contemplate taking the purchasing power away from the manufacturer, which he has earned, to take the purchasing power away from the merchant, which he has earned, and transfer it to these aged pensioners, which they have not earned, in order that they can use the purchasing power to buy from the manufacturer, whose purchasing power you took away to start with? It comes to that, does not it?

Secretary PERKINS. I think you may be overlooking the difference between income and wealth. Income arises from the velocity with which the medium of exchange moves from hand to hand, whereas wealth, of course, is more solid and substantial. The machines, the land, and the buildings are real wealth.

Senator GORE. However much we sympathize with the old people who obtain this purchasing power under this pension, a part of it will be taken away from wage earners who would have used it for purchasing the necessities and comforts for themselves. Now, you have taken from their income the purchasing power which they would have used to purchase the manufacturers' goods, which they have earned and which they will need, and you have transferred it to somebody that did not earn it, to say the least. That is not an addition to the purchasing power of the community; that is limited to the income now.

Secretary PERKINS. You may be right, sir.

Senator GORE. Well, now, if you subtract a part of the merchants' purchasing power under this plan and transfer it to the aged, he cannot raise the wages of his employees to that extent and add to the purchasing power of his employees to that extent; that is a fact, isn't it?

Secretary PERKINS. I would not think of disputing that, sir.

Senator GORE. The manufacturer could not give that purchasing power to his wage earners; he could not add to his plant no matter how much he needs to, to the extent of the purchasing power that you have taken away to give to somebody else to purchase from him.

Now what I am trying to get at is this, Miss Perkins: Your assumption is that it is a function of the Government to take purchasing power away from the citizen who has earned it—and we will say earned it honestly—and transfer it to another citizen who has not earned it; that is the principle in this bill at least, so far as the purchasing-power end of it is concerned, is it not?

Secretary PERKINS. No, sir; I do not think it is the function of the Government to take the purchasing power away from one individual and give it to another. I think it is the function of the Government to provide a method by which those who are dependent in their old age

may be provided for against the devastating ravages of poverty when they are old. I tried to indicate yesterday that I believe that an incidental advantage which the whole community will get, and the aged person as well, is that there will arise a new location of purchasing power which will be useful to all of the community who have contributed to the fund into which the taxes going to support this plan are paid. But the prior duty is to the aged.

Senator GORE. There is no doubt about that. You used the expression yesterday that it was creating a purchasing power when you gave a pension to the aged. I think Senator Black called your attention to that point. Is it not a transfer of purchasing power instead of a creation of purchasing power?

Secretary PERKINS. I do not believe that I used the word "create." I thought I indicated that it provided a new source of purchasing power, but I may have misspoken myself. I am sorry if I did.

Senator GORE. In the first instance it is a transfer of purchasing power from one citizen to another, is not it?

Senator COUZENS. May I say, Senator, I do not think so, because what you would take away from me might increase the purchasing power that you might have.

The CHAIRMAN. There are not many like Senator Couzens.

Senator GORE. I think it is a matter of supreme importance. What we all want to do is to stimulate the creation of purchasing power—something that will pull us out of this bog. The transfer of purchasing power from one citizen to another does not go far. It may help the individual who gets the purchasing power, but it hurts the one who parts with it. You take the processing tax, for example. You take hundreds of millions of dollars out of one set of pockets and put it into another set of pockets. That is not creating purchasing power; that is transferring it. This distinction is fundamental.

Now speaking on the incidental advantage, our government, for months after the war, made loans to foreign governments, and for 6 years, from 1923 to 1929, our financial institutions loaned some six billions of dollars to those governments or peoples. That purchasing power was put into their hands, and with it they purchased goods from us, but that plan did not work out very well in the long run, did it? Some of its effects helped to bring on and to aggravate the depression.

Now, then, we will come back to the first proposition of taking this power, this purchasing power, from the manufacturers and the merchants and transferring it to the aged. Now I would like to get your reaction on this: The Government decides that John Doe, a manufacturer who created this wealth—this purchasing power in an honest way—is not as much entitled to it as Richard Roe, who has no purchasing power, and the Government of the United States, equally charged with the protection of both of them, takes it from John Doe and gives it to Richard Roe. I do not see how you can escape that conclusion. You may justify that on social considerations but that is what happens.

Senator CONNALLY. Senator Gore, is it not true that under our relief system we are taking money, through taxation, from one set of persons and giving it to another? As I understand Secretary Perkins, she wants to provide a method that will set up a reserve fund so that these people, instead of spending directly out of the Treasury, will

get results from their own plan, to which industry ought to contribute just as much as the employee?

Senator GORE. I am speaking of the noncontributory portion of this bill. Anybody who thinks that the relief plan is a substitute certainly ought to devote more thought to the subject.

Senator CONNALLY. That is what we are trying to get rid of now; that is why we are trying to devise something to take its place.

Senator GORE. I do not know whether making it chronic instead of acute will help any. Senator Long of Louisiana is espousing a plan for the redistribution of wealth in this country. Now his contention is that the Government ought to take purchasing power, wealth, and income—I will use both terms—away from those who have it and transfer it to those who do not have it. Now how does that differ, in principle, from this plan?

Secretary PERKINS. I think it does, sir, because the difference in degree frequently relates to principle itself. If you take all of the wealth, or even a very substantial part of the wealth away from the sources where it is created, you do, of course, dry up the possibility of creating any more wealth at that place. Now the creation of wealth, as I tried to indicate, is the creation of machinery, of tools, of houses, of substantial products out of which there can flow those goods, comforts, and earnings which make income. To merely divert a portion of the income which derives from a wealth-producing manufactory, or wealth-producing mine, to divert a portion of the income which derives from that to a source which needs income and has not, for some reason or other, been able to maintain income into the years of old age, does not seem to be in any way a distribution of the wealth of the ordinary income-producing agency. Maintenance of the income-producing agency is of course extremely important. That is the structure under which we are living, and within which we are operating our economics.

Senator GORE. Income is wealth. The matter of replacement is not a matter to be ignored. The country's plants have to be replaced every few years.

Secretary PERKINS. The portion of income which should go for replacement is an open question at this time. We are recognizing that one of the factors which enter into the complications of this last depression was that a large part of the income earned from the machine structure, was used to expand that structure further, and further, so that we had a very large investment of current income, in the expansion of our capital structure.

Senator GORE. That is true.

Secretary PERKINS. So there is a time element in the matter that is perhaps important to the creating of a balanced economic life.

Senator GORE. Your answer, as I understand it, is that under your plan you would not take too much of a person's income, and Senator Long would take too much of a person's income. Now what is the standard? Who is to decide how much is too much and how much is not too much?

Secretary PERKINS. The Congress of the United States.

Senator GORE. Congress has found this bill on its doorsteps. What guarantee is there? Has the citizen got any constitutional guarantee? Has the citizen got any legal or moral guarantee under

this plan that some man might not come into power who would take more than he ought to take from one and give to another?

Secretary PERKINS. He has the guarantees, sir, which were, I suppose, established in building up our representative system of government by the elected representatives of the people, who decide how much tax to impose and where to impose it. I do not know of any other formula which seems to me so adequate at this time.

Senator GORE. I know the theory of private property used to be—I do not say it is now—that the man who earned the dollar honestly has a better right to it than anybody else.

Secretary PERKINS. I would not dispute that.

Senator GORE. What I am trying to get at now is whether this legislation is not out of line with that once established principle. A Congressman said the other night they were organizing a club, and one man said, "If you want to come back to Congress you better vote for this Townsend plan." Now who is to decide? Is it the people who want this wealth given to those who haven't got it? Has a citizen no guarantee, under our constitutional system, that that thing cannot be done? Do you think he has? Isn't this plan, and the Long plan, in effect to take private property for private use?

Senator COUZENS. Isn't that a question for the Supreme Court to decide?

Secretary PERKINS. It is not for me to decide. Thank you, Senator.

Senator GORE. Perhaps we can tell you more about that when they hand down the gold-clause decision.

Senator COUZENS. I am quite conscious of the fact that the whole matter is in the air. I do not think we can decide it around the table. I do not think we can decide whether it is constitutional or not.

Senator BARKLEY. Is not it a question of degree, as to how much is not to be taken by the Government? As a matter of fact, from time immemorial a part of what some people have has been taken by the Government—either the city, the county, or the State—for the purpose of looking after indigent people, whether they are old or not.

Secretary PERKINS. And sometimes for worse purposes.

Senator BARKLEY. What?

Secretary PERKINS. Sometimes for worse purposes.

Senator BARKLEY. I agree; but the question of taking away money from people who have it, in the form of taxes, for the purpose of caring for the poor is not a new question. It has been with us for a long time. We do it in many respects besides the mere caring for old and poor people.

Senator GORE. As far as the State is concerned, there isn't any doubt but what it has the power and the duty to take care of its indigent people, but it is a new theory as far as the Federal Government is concerned. I was wondering about that.

Senator BARKLEY. I do not know whether the gold-clause case has any effect on the power of Congress to appropriate money for this.

Senator GORE. What is that?

Senator BARKLEY. I do not think the decision of the Supreme Court in the gold-clause case has anything on the power of Congress to appropriate money for this purpose or any purpose that concerns the general welfare of the people.

Senator GORE. The Senator forgets that some of us are Irish and that reference to the Court was a bit of humor.

Senator COUZENS. May I ask Miss Perkins if the gasoline tax does not, in part, answer Senator Barkley's question? I remember the debates in Congress when we proposed the gasoline tax, that it would help to liquidate the expenses that the Government was put to in making good roads, and we did not segregate the gasoline tax for the purpose of good roads and therefore we are not proposing to segregate this tax for the purpose of unemployment.

Senator BARKLEY. That was the theory on which the matter was discussed. The fact of the business is, and we all know who are on this committee, that we reached the point 2 or 3 years ago where we had to have \$150,000,000 in order to balance the Budget and we did not have any other funds to get it from except to tax gasoline, and we justified it on the theory that the Federal Government was contributing money toward the building of highways, therefore we ought to levy this tax.

Senator HASTINGS. There is this difference, and this distinction which has to be made: There was no surplus, as far as the building of roads was concerned.

Senator BARKLEY. I would like to get your idea about this, Miss Perkins. It is stated that about 35 or 36 of the States will have sessions of the legislature this year and the others will not meet for a year.

Secretary PERKINS. More States than that, sir.

Senator BARKLEY. This tax goes on at this time?

Secretary PERKINS. Yes.

Senator BARKLEY. What would you say to the suggestion of not using this money, or withholding in a special fund the amount of this tax over and above the distribution to the States who pass laws, and provide if and when any State does enact this legislation then the amount collected from that State shall be available to it for unemployment insurance? For instance, 12 States will not have a session of the legislature until next year. Would there be any objection to withholding any general distribution of the surplus of this fund, to give those States a chance to pass legislation without having to call an extra session of the legislature, and then provide that the amount collected this year, or any other year prior to the enactment of such legislation, could be available to the States for the purposes for which it was collected?

Secretary PERKINS. Forty-four States have legislatures meeting this year. Now we provide that probably 1 percent, instead of 3, is collected the first year, so it is a much smaller amount in the first year of collection.

Senator BARKLEY. Well I think States that cannot comply with or meet this requirement for a year without calling an extra session of the legislature, which would probably cost more money than the tax would amount to, ought to be given an opportunity to benefit from the amount of tax they pay prior to the time when they can meet the requirement of this law.

Secretary PERKINS. I suppose we could not exempt employers in States whose legislatures did not meet before January 1, 1936.

Senator BARKLEY. I do not think that would be fair.

The CHAIRMAN. That is not a matter you would raise any objection to, if we wanted to write it into a bill, is it, Miss Perkins?

Secretary PERKINS. I think not, except that it should be so safeguarded that it is not an encouragement to a State to postpone its

action, or to believe that it will get the money back. In that case it will not pass the law and the funds will not be accumulated as they ought to accumulate for the benefit of the unemployed.

Senator GORE. Miss Perkins, there is one more question. Yesterday I think you mentioned that there were people who were 45 years of age or 50 years of age, men who had accumulated experience who were thrown in the discard. To me this is a living tragedy. Have you made any study of that? Can you tell us to what extent, if at all, the fact that they are thrown into the discard is due to industrial insurance, the raising of the premium on those men who are of advanced years? Does that have anything to do with it?

Secretary PERKINS. In some forms of group insurance it has been thought that that was a part of the reason for the discarding of the older members of the working group, because the total premium would be lower if the largest proportion of the workers engaged in the group are young men and not so near their assumed death date, and therefore the collection date. Not all forms of industrial insurance do that. I should say that it is perfectly possible to write a policy, and such policies have been written and should be written, where the older person collects a lesser benefit than those who come into the scheme at a younger period.

Senator GORE. I was wondering whether you had given thought to that proposition. It seems to me perfectly just to establish a fund, or to require industry, employers, and employees, to raise a fund out of which this excess premium, the extent to which the premium for these men of advancing years is in excess of the average, a fund out of which that excess premium could be paid. It looks to me like that would be a legitimate charge on the employer and employee, which would avert a portion of this loss.

Senator BLACK. I would like to ask Miss Perkins one or two questions in regard to this medical proposition. Doctor Witte made the statement, as I understood it, that it was probable that a report would be made to the Senate which would go more fully into some kind of a provision for medical assistance. I am very greatly interested in that. I have a resolution pending before the Senate at the present time for legislative study, which I do not want to make if it did not cooperate with the committee. I want to ask two questions.

Is it not true, insofar as the failure to receive the necessities of life is concerned, that there are more people affected in the United States from the single cause of failure to receive adequate medical and dental and hospital treatment than any other one individual cause which you have been studying?

Secretary PERKINS. You mean as a cause of poverty?

Senator BLACK. Yes.

Secretary PERKINS. I think we would have to rate unemployment higher than lack of medical assistance as a cause of poverty.

Senator BLACK. I mean the number of people who are not receiving adequate medical, dental, and hospital treatment, if it is not greater than the number of people who are unemployed, and if it is not greater than the number of people who are old? I do not mean in the aggregate, I mean separately.

Secretary PERKINS. That might be so. As soon as you use the word "adequate" the discussion is raised as to how much treatment constitutes adequate medical treatment, but if you use the opinion

of the group who think that adequate medical attention is of a substantial amount, I suppose that is correct.

Senator BLACK. Of course, you know the committee has studied the reports of the commission which was set up to study medical aid?

Secretary PERKINS. Yes.

Senator BLACK. You are familiar with the fact that 30 percent of the people who were dropped in the World War were declined admission into the Army for reason of the fact that they were physically unfit for service. Is it not true that the committee making this study found if adequate medical treatment could be received by the people, that this number would be greatly reduced, and we had numbers of people who were not working full time, with hundreds of thousands of people who failed to receive medical treatment?

Secretary PERKINS. No doubt about it.

Senator BLACK. Would you object to stating whether or not it is the intention of the committee to make a report recommending further legislation along this line?

Secretary PERKINS. We are recommending here, an appropriation to be used through the State public health services for the purpose of preventing illness and for furnishing at least a minimum of medical and nursing care in the States. The committee which is making a further study is made up of physicians, dentists, and hospital authorities, who are working definitely upon the request of the general committee to see if they can devise a system of health insurance which seems to them, as professional people, working in the field, to be both fair and constructive for the profession itself and at the same time to furnish the necessary provision of medical care to people now with it. Whether they will recommend legislation or not at this session I am not at this moment prepared to say. This subcommittee asked for a longer time than the other subcommittees, because their problem is a difficult one. The professional matters to be considered are difficult, and they have frequently caused controversy within the professions affected. Therefore we thought it well to give the subcommittee the extra time so that they might arrive at at least a considered opinion. I do not know whether they will recommend legislation to the President's Committee on Economic Security, or whether the President's Committee on Economic Security will be in the position to recommend legislation to your honorable body at this session.

Senator BLACK. I do not understand that the President's committee is going to follow necessarily the action of this committee of doctors and dentists.

Secretary PERKINS. Not necessarily, but we will consider their findings.

Senator BLACK. You will consider their findings, and their advice in connection with trying to reach a fair conclusion?

Secretary PERKINS. Yes.

Senator BLACK. Is there any reason why, so far as you know, the cause would be injured or assisted by an open public hearing before a legislative committee which gives access to the physicians, the dentists, and all people interested to present their views and have an open study of it by the committee?

Secretary PERKINS. I do not think anything is hurt by a public discussion, but I should very much like, Senator, before you proceed

to that, if you would talk with perhaps the chairman of this sub-committee.

Senator BLACK. Who is the chairman?

Secretary PERKINS. Mr. Sydenstricker has the matter in charge. He has two or three committees working. I would be very glad if you discussed the matter with members of that committee. Dr. Harvey Cushing is the chairman of the medical committee.

Senator BLACK. It is true, is it not, that many of the other countries who have adopted social insurance systems have adopted this one first, for medical treatment?

Secretary PERKINS. Yes, sir.

Senator BLACK. And you are seeking now the advice of the council of physicians. May I ask whether you are obtaining cooperation?

Secretary PERKINS. We are.

Senator BLACK. From the medical association and the dental association?

Secretary PERKINS. Yes, sir. That is one of the reasons that makes us very hopeful of a constructive report. They have been extremely cooperative and are working with great intelligence and with an unselfish point of view of citizens as well as professional men.

Senator LONERGAN. Mr. Chairman, may I ask a question?

The CHAIRMAN. Senator Lonergan.

Senator LONERGAN. Madam Secretary, how many persons are out of employment now in this country?

Secretary PERKINS. I think, sir, that you have probably realized from the statements published from time to time that there is no completely accurate figure of the unemployed. The reason is because we have no unemployment insurance system. Countries that can publish an accurate figure every month as to the number of persons whom they know to be actually unemployed are those with unemployment insurance benefits, under which persons entitled to the benefits are registered and counted. In this country we have estimates of unemployed, based upon our knowledge of an index of employment. We know, in general, what the percentage of employment was in the year 1930, and we know from the census of that year how many persons were employed by different groups of employers who made a pay roll return. We know now how many fewer are returned, are employed, by the returns of the employers, and we therefore deduce that there must be so many unemployed. Perfectly honest people can sit down and make their own estimates and their own allowances, and their own weightings for this, that, and the other thing, and they will come out anywhere from two to four million apart in their estimates.

Senator LONERGAN. What is your estimate?

Secretary PERKINS. We have made our own computations and we therefore make an estimate based upon it, and our estimate is that there are probably in the neighborhood of 9,000,000 unemployed. But again that is an estimate, and I think that should be recognized as an estimate.

Senator LONERGAN. What is the estimate of your Department as to the number of unemployed in normal times?

Secretary PERKINS. There is no estimate at all that is worth its salt. You will always find a certain number of people who will say they are unemployed. Many of those are in the group that was

referred to the other day as unemployables who never will be employed except for an odd job. They are people who are sometimes sick, sometimes defective, sometimes not really having any need of the work. You will find that particularly the case sometimes in the younger or older members of the family in which there is a breadwinner who earns a sufficiency for the family. You sometimes find the young daughter in that family working for pin money a few weeks at Christmas time in the department store. She is always laid off and she only works, year after year at Christmas time, and yet if you counted her as having been employed in the Christmas rush and is now out of work, in January, you might say, "Well, she is unemployed," and yet actually she is not what you and I are thinking of as an unemployed person because she does not seriously intend to have a job as a permanent thing. So many of those who can be regularly employed in good times are counted among those who are not employed at other times.

There are always, on a given day, a number of men out of work who will not be out of work tomorrow. A census today might indicate that they are out of work because they have just finished the job at Jones' and they haven't begun the new job on Main Street. That is particularly true in the building trades. You will find periods when they have a day, or 2 days, or a week or 2 or 3 weeks in between the times that they work.

There is also, of course, in addition to this the seasonal fluctuation, in which people are out of work during the season when the trade is not working. There is a certain amount of technological unemployment. That is, some process has been changed and those people are out temporarily until they find either another kind of job or a job in another plant.

There is no sound estimate of the number of persons unemployed in normal times, because the fact is they are intermittently employed.

Senator LONERGAN. I have read at times it was 2 million, 3 million, of 4 million.

Secretary PERKINS. Many people have amused themselves in their idle hours making those estimates, but if you ask me, as a responsible Government official, to say what it is, I would have to qualify it very much.

Senator LONERGAN. Have you any estimate as to the number that will come under the unemployment insurance plan when it becomes operative?

Secretary PERKINS. You mean the number of employed persons?

Senator LONERGAN. No, the unemployed persons who will come under this plan.

Secretary PERKINS. The only persons who will come under this plan will be that percentage of the persons ordinarily employed who happen to be laid off.

Senator LONERGAN. Yes.

Secretary PERKINS. Now the total number of persons in the U. S. A. who were employed in 1933 was 26 million people, on a coverage of this sort, and if the index of employment went down to 70, 30 percent of those would be eligible for benefits.

Senator LONERGAN. Our greatest problem is unemployment, is it not?

Secretary PERKINS. It is at the present time; yes, sir. In normal times it is not our greatest problem, but it is a hazard that is always possible just ahead of us.

Senator LONERGAN. I am going to volunteer an opinion. I believe that there are sufficient means in this country to start a substantial portion of industry in this country and the things that are lacking are a wider confidence and a more liberal credit system. Have you any opinion on that?

Secretary PERKINS. Well, I do not qualify as a specialist on credit systems, sir. Credit, as I understand, is the ability to borrow, is it not?

Senator LONERGAN. Yes.

Secretary PERKINS. I have never been able to borrow anything, so I know very little of it.

Senator LONERGAN. Most of us have borrowed too much and cannot pay it back.

Senator BARKLEY. Miss Perkins, of the 9 million unemployed are you able to say how many of them are unemployable?

Secretary PERKINS. It is a very difficult thing to gage but there are four and one-half to five million heads of families now on relief. Those are the people whom you can study. The relief agencies, with statisticians of the Department of Labor assisting them, have estimated, from the reports on those families, that 80 percent of those heads of families are able-bodied, healthy employable persons having no defects or no complications. So 80 percent of the 5,000,000 are employable. That means 20 percent of the 5 million may be classed as unemployable. It is probably true that most of the unemployable workers of the country are embraced within the relief group.

Senator GORE. You use the word, "unemployable" as embracing those who could not work?

Secretary PERKINS. We mean the sick, the deaf, and so forth. For instance, you take the mother of a large family, she may be able-bodied and all that, but we classify her as unemployable because if she works the children have got to go to an orphan asylum.

Senator GORE. Do you think there is any danger of creating an additional class of unemployables?

Secretary PERKINS. No, sir.

Senator GORE. Those that would not work?

Secretary PERKINS. I do not think so, with the rising American standard of living. Everybody wants a little more than he has ever had in the way of comfort and luxury.

Senator WALSH. Miss Perkins, your figure of 9,000,000 is an estimate, and it is probably somewhat over that, but it does not include these exceedingly large number of people who are working a few hours a week or a day or two a week?

Secretary PERKINS. No, sir; it does not include the partially employed.

Senator WALSH. And that is a very large number?

Secretary PERKINS. It is a very important part of our present economic problem.

The CHAIRMAN. Miss Perkins, it is now 12 o'clock. You have been very patient and very kind. The committee is deeply apprecia-

tive of the suggestions and the information that you have given us. Have you finished your statement?

Secretary PERKINS. I think I have, sir; to all practical purposes.

The CHAIRMAN. Does the committee desire that Miss Perkins return Monday morning?

Senator BARKLEY. Unless she has some additional formal statement that she desires to make, that we prevented her from making through our interruptions.

Secretary PERKINS. If I find, sir, there is anything I would like to say, perhaps I had better file a memorandum of it.

The CHAIRMAN. You can file a memorandum. We will be glad to hear from you.

Secretary PERKINS. Thank you very much for your courtesy, sir.

The CHAIRMAN. The committee will adjourn now until Monday morning.

(Whereupon, at the hour of 12 o'clock, the committee adjourned until Monday, Jan. 28, 1935, at 10 a. m.)

ECONOMIC SECURITY ACT

HEARINGS

BEFORE

THE COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-FOURTH CONGRESS

FIRST SESSION

ON

S. 1130

A BILL TO ALLEVIATE THE HAZARDS OF OLD AGE,
UNEMPLOYMENT, ILLNESS, AND DEPENDENCY,
TO ESTABLISH A SOCIAL INSURANCE BOARD
IN THE DEPARTMENT OF LABOR, TO
RAISE REVENUE, AND FOR
OTHER PURPOSES

PART 3

JANUARY 28, 1935



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II

with Supt. of Documents

ECONOMIC SECURITY ACT

MONDAY, JANUARY 28, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to call, at 10:10 a. m., in the Finance Committee Room, Senate Office Building, Senator Pat Harrison, chairman, presiding.

Present: Senators Harrison (chairman), King, Walsh, Connally, Gore, Costigan, Bailey, Clark, Byrd, Black, Gerry, Guffey, Couzens, Letcalf, Hastings, and Capper.

The CHAIRMAN. The committee will come to order. The witness this morning is Mr. William Green, president of the American Federation of Labor.

STATEMENT OF WILLIAM GREEN, PRESIDENT, AMERICAN FEDERATION OF LABOR

The CHAIRMAN. In your own way, Mr. Green, you can present our views with reference to Senate bill 1130.

Mr. GREEN. Mr. Chairman and members of the committee: I assure you that I am pleased with the opportunity to present to you the viewpoint of labor regarding the proposed social-security legislation.

Consideration of unemployment insurance in this country is by no means new. During every depression we have had in recent years we have talked about unemployment insurance. Any plans for unemployment insurance were always forgotten, however, with a return of prosperity. Unemployment comes into being with the industrial system, and grows with it. The United States is the last great industrial country to give serious consideration to a system of unemployment insurance. We are, indeed, decades behind in the development of a social program. Comprehensive systems of unemployment have been in practical operation in various foreign countries for many years.

Opposition to unemployment insurance in this country is based primarily upon the claim that it is unnecessary, that unemployment is not an insurable risk, and that even if we did manage to insure our millions of wage earners against their great risk of unemployment, the effect upon them and upon the Nation would be harmful.

Today we need not convince either the lawmakers of this country or the people themselves that we need a broad system of social insurance, covering unemployment, old age, care of dependent and unemployable persons.

The lives of millions of our people are governed by the fear of losing their jobs. Economic security is today and will be for a long time to

come our greatest national problem. Our belief that this problem would take care of itself has been rudely shattered by the bitter experiences of the past 5 years.

I believe every one realizes that we must now take positive action to provide a reasonable amount of economic security to those millions of our population who are, even in the best times, always on the edge of want and destitution. Their wages are so low that even while they are fully employed, they are unable to make provision for unemployment through savings. They are always conscious of their complete lack of security. It has been estimated that in 1928 and 1929 at least 10,000,000 families, or over one-third of the total population, were living in poverty, many of them even below the minimum subsistence level. Those people had and can have no savings to see them through even a brief period of unemployment. Even were savings possible, however, it would still be highly unjust that they should be expected to bear the cost of unemployment for which they are themselves in no way responsible.

The need for security can be shown most clearly by the number of persons who are now on the rolls of the unemployed. In November 1934, more than 11,000,000 men and women were still looking for work. The figure for December will probably be even greater than that. This means that 31 percent of the total number of wage-earners and small salaried workers in the United States were out of jobs in November, and this does not include from 1,000,000 to 2,000,000 additional workers who had emergency employment only. Great as these numbers are, they by no means represent the total number of wage earners who have suffered from unemployment during the past year. There is a constant changing of places between unemployed and employed.

That unemployment is by no means confined to periods of depression must also be remembered. Even in periods of prosperity, unemployment is the greatest hazard which the wage earner has to meet. In 1923, for example, when unemployment was at its lowest figure during the entire period of the twenties, over one and a half million were unemployed, representing 5.2 percent of the entire number of wage earners and salaried workers of the country. The Ohio Commission on Unemployment reported in 1932 that during 4 out of the 7 years from 1923 to 1929, the average number of unemployed in the State represented more than 10 percent of the total number of wage earners and salaried workers in the State.

So far we have tried to meet this tremendous problem through relief only, and in the past 2 or 3 years relief has done much. But we see in continued dependence upon relief the gravest dangers to our wage-earning population. Relief must not be considered the solution of the problem of personal economic security and of national economic security. Relief must be a temporary and emergency measure, unless we wish so seriously to undermine morale that many men and women will never again be self-sustaining or self-respecting citizens.

To refer to the service of the trade unions, the service which the trade unions have rendered in the organized labor's attempt to extend temporary relief during these years of unemployment, the report to the last convention of the American Federation of Labor which was held in San Francisco last October, showed that members of organized

labor have contributed out of their earnings more than \$60,000,000 during the year for unemployment relief, sickness and out-of-work benefits. Some of our trade unions are struggling in an effort to care for their unemployed members, and as a result are contributing a very large percentage of their own earnings for the purpose of taking care of the unemployed.

Senator CLARK. Do you mean that this figure which you have mentioned was contributed by the organizations or through the organizations?

Mr. GREEN. By the labor organizations, over \$60,000,000 in 1 year.

Senator COSTIGAN. I assume that you prefer work to relief, even at increased cost to the Federal Treasury?

Mr. GREEN. I beg your pardon?

Senator COSTIGAN. I assume that you prefer work to relief in a monetary sense even at increased cost to the Federal Treasury?

Mr. GREEN. Oh, yes; yes, indeed. Work first. Relief only when work cannot be supplied.

Senator COUZENS. Do you mind if I ask you a question now?

Mr. GREEN. No, sir; at any time.

Senator COUZENS. In your study on this unemployment situation and during your conventions, have you given any consideration to the great excess capacity of labor in such districts as the coal mines and copper mines, and so forth?

Mr. GREEN. That is a problem that we have given special attention to.

Senator COUZENS. Have you reached any solution of it?

Mr. GREEN. Only this, that we have recommended a reduction of the hours of labor so that we could spread the amount of work available among more people. The other problem of excess labor in coal mining and in other lines is a problem that in our opinion must be approached in a careful way because of the independent nature of the coal miner, which makes it very difficult to persuade him to shift and leave and go to other places.

Senator COUZENS. Can you conceive how this so-called "\$4,000,000,000 work program" is going to give work in the mining districts and the copper districts to the excess amount of labor?

Mr. GREEN. I could not answer that question at the moment, Senator, because I have not gone into it, but the facts are that in road building and perhaps in reforestation, in grade crossings—that is, the elimination of grade crossings—and public works of that kind, the miners will be drawn from their homes and in their localities into public works if the work is accorded them.

I have found that a very large number of miners have left the mines and gone into the rubber-manufacturing industries, and into automobiles.

Senator COUZENS. Have you any figures as to how many have been taken out of those fields?

Mr. GREEN. No; except that in Illinois, whereas in 1917 to 1923 there were practically 80,000 miners employed in that State, there are less than 50,000 now. In Ohio the proportion runs about in the same way.

The reduction in the number employed has been very great. They have been absorbed in some other lines of industry, and as I say, I have found a great many of them have found work in automobiles, and a number in rubber, some in textiles and other places.

Senator COUZENS. The assertion which is quite frequently made that these miners will not leave their localities is not quite true then?

Mr. GREEN. It is difficult to prevail upon them to do it, but economic pressure forces them out, and they just simply have to go in some instances, and as a result of it, they have gone in large numbers.

Senator KING. There has been a great deal of competition, has there not, especially in the bituminous mines; that is, that there were too many mines for the consumption of the coal that had to be produced?

Mr. GREEN. You see, there are two things. The coal-mining industry is over-developed; and, secondly, they have mechanized the mines, and that has displaced a large number of miners.

Senator COUZENS. Have you any information as to how many men have been put out of work through the mechanization of the mines?

Mr. GREEN. I could not tell you what percentage of these, say, 30,000 or more in Illinois have been displaced by machinery, but a very large number of them, Senator, have been displaced through mechanization.

Senator COUZENS. Your organization being so largely spread out over the Nation, do you not keep any figures or statistics with relation to that?

Mr. GREEN. No; we have none and I do not think the Government has either.

Senator COUZENS. Don't you think somebody should?

Mr. GREEN. Yes; it is important. We ought to assemble figures on it, but we just have not because it is rather difficult.

Senator KING. May I ask you a question there? To what extent, if at all, has the advent of women so generally into all or into many lines of business and industrial activities contributed to the displacement of men?

Mr. GREEN. I could not answer that question either, Senator, because we have not any figures on it.

Senator COUZENS. Do you have women that are members of your organization?

Mr. GREEN. Yes, sir; thousands of them, in textile, garment making, clerical work, office workers, and so forth.

Senator KING. Even school teachers?

Mr. GREEN. Even school teachers, yes; and actresses, too. We have some temperamental actresses, too.

Senator COUZENS. They should keep you on your toes then.

Mr. GREEN. Yes; they keep us on our toes.

Senator COUZENS. What is your total membership now, Mr. Green?

Mr. GREEN. Our total membership is between five and six million paid up. That does not represent our total membership because we have to carry a lot of them now. When people are unemployed they cannot pay their dues.

Senator COUZENS. What percentage of them is made up of women, do you know?

Mr. GREEN. Of those 6,000,000?

Senator COUZENS. Yes.

Mr. GREEN. Senator, I could not answer that question because we have never attempted to find that out. That is another thing we ought to do.

Senator COUZENS. It seems to me the American Federation of Labor is not very up-to-date then on that.

Mr. GREEN. Well, we have so many things to do, Senator, and it is expensive. That is the trouble.

Senator KING. Coming back to that question, and I am doing it only because in the past 3 or 4 days a number of men have called to see me who were engaged in manual labor or had been, and some who had been engaged as stenographers and clerks and typists, and so on, and they contended that in the consideration of this and other legislation there ought to be some repressive measures dealing with woman labor supplanting men, much the same as what Mr. Hitler has done in Germany. Of course to me the proposition is absurd, but I was just wondering to what extent if you are able to state that the advent of women into clerical work, stenographic work, and so on, as well as in other lines of activity, has supplanted men?

Mr. GREEN. There are certain fields of work, particularly in office work and clerical work of that kind, which we regard as a special field suited for women workers. The American Federation of Labor has never taken a position against women workers.

Senator KING. Of course not.

Mr. GREEN. What we have endeavored to do is to endeavor to provide minimum rates of pay and to protect them regarding employment and hours of labor, and so forth, but we realize that women must work and we are living in an age when opportunities must be accorded to women to work.

Senator COUZENS. I understand that the railroad brotherhoods are not affiliated with you; are they?

Mr. GREEN. Four. But there are about 17 railroad organizations affiliated with us; that is, the shopcrafts and mechanics, and so on. The locomotive engineers, the brotherhood of locomotive firemen, the railway conductors and the trainmen are not affiliated with the American Federation of Labor.

Senator CLARK. I am going to ask one question in connection with your remark a moment ago about the mechanization of certain industries. This bill contains a provision for a tax on what might be called "pay roll", or a "pay-roll tax." Does not the pay-roll tax as distinguished from a tax on gross business have a tendency to increase mechanization, to encourage mechanization, and the elimination of man power?

Mr. GREEN. No; I do not think so, Senator. I do not think it would operate that way.

Senator CLARK. In other words, it seemed to me that if you put a tax on pay roll, which is a pay roll for manpower, that encourages the manufacturer or the industrialist to mechanize these industries as far as he can, to diminish his pay roll and accomplish the same result in some other way. On the other hand, if you put the tax on the gross business, while I recognize that there is a certain inequality in a tax like that, it does not have that effect on mechanization, it seems to me.

Mr. GREEN. On the other hand, if employers are going to continually displace workers, then they will have to be prepared to pay more out of their earnings to take care of those displaced. They have to increase the tax; that is all.

Senator COUZENS. That is not desirable, is it, because that just leaves more men idle?

Mr. GREEN. No; that is not desirable. What we want to do is to create work opportunities for people to work.

Senator COUZENS. Yes; but Senator Clark has raised a very interesting question as to whether or not the pay-roll tax will not drive the industries to greater mechanizations and reduced pay rolls.

Mr. GREEN. That is a matter of opinion. I do not think it will work that way, because the more idle people there are, the greater will be the cost of unemployed insurance.

Senator COUZENS. Yes; but these fellows are usually pretty good mathematicians. They might figure that it would be less for the pay-roll tax than to give them work, and I am wondering if you have any views to express on the question of a tax on the gross business instead of on the pay rolls.

Mr. GREEN. I have a recommendation here that the pay-roll tax be increased above what is proposed in this bill.

Senator COSTIGAN. President Green, I have no desire to interrupt you at this moment, but will you at some time, whether personally or by way of a statement in the record, indicate how the statistics of unemployment for the American Federation of Labor are compiled?

Mr. GREEN. Yes, I will; I will be glad to do that. I will have that statement prepared for the record at the earliest possible date, Senator. (Mr. Green subsequently submitted the following article.)

[Reprinted from the American Federationist, October 1933]

HOW MANY ARE UNEMPLOYED

In the months since March 1933 we have made headway against the rising tide of unemployment, small though the gains are when compared to the 11,001,000 still out of work in August.

When the census was taken in April 1930, 3,187,647 men and women were out of work—either temporarily on lay-off or entirely without jobs. In the next 3 years unemployment rose almost steadily; all efforts to check it were futile. Only twice was the rise stopped for as much as 2 months (spring of 1931 and fall of 1932) and even then less than 800,000 jobs were temporarily created, only to be swept away again before the half year was out. From January 1930 to January 1931 unemployment rose by 3,944,000; by January 1932, 3,037,000 more had joined the jobless army and by January 1933 another 2,903,000. At the high tide of unemployment in March this year, 13,689,000 were out of work.

Even to have checked this tide, which was destroying human life, engulfing business, is an achievement which puts hope into the hearts of us all. Though we have made but a small beginning in putting men back to work, at least for 4 months (April through July) unemployment has declined and 2,052,000 men and women have gone back to work. From March to July 1933, unemployment fell from 13,689,000 to 11,781,000.¹

The industries where workers have suffered most from unemployment are building, railroads, factories and mines. Of those employed in 1929,² by March 1933, 75 percent had lost their jobs in building, 44 percent in factories,³ 45 percent on railroads and 44 percent in mines. In trade and utilities, losses were not quite as severe, varying from 23 to 30 percent of the 1929 employment. Counting the number laid off (instead of percentage), manufacturing industries are responsible for the largest number unemployed since they normally employ over 8,000,000. In factories from 1929 to March 1933, 3,711,000 wage earners and 437,000 salaried workers lost their jobs, a total of 4,148,000; in building, 1,571,000; trade, 1,268,000; railroads, 748,000; mines, 452,500.

Closer examination of these figures⁴ shows that the worst unemployment has been in the basic and "producer" industries, such as building, metals, and machinery, railroads, and mines. The recovery on the other hand has been in consumer industries—shoes, cotton goods, etc., trade. Manufacturing industries

¹ For figures for August and September see the Trade Union Unemployment Report, pp. 852, 965. Although over 2,000,000 have gone back to work, unemployment has declined by only 1,908,000 because the number seeking gainful work has increased by 144,000 since March.

² Average for year.

³ Wage earners only.

⁴ See Federationist, May 1933, p. 517.

have taken back 1,094,000 wage earners (to July) chiefly in the industries producing consumer goods; retail trade has reemployed 100,000. On the other hand, building has given only 140,000 new jobs, railroads only 71,000, and mines have not increased employment at all (this is normally their dull season). By percentages, factories have reemployed 13 of the 44 they laid off, retail stores 3 of their 29, building only 7 of its 75.⁵ Clearly American workers will not all get back to work until the basic industries pick up. And to accomplish this, American business men must have enough confidence in the future earning power of industry to invest their money in building and new machinery. Buying power of the workers means earning power for industry.

Outside of industry and trade, other groups of workers have been affected by unemployment. At least 200,000 professional workers—engineers, architects, musicians, actors, and others—have lost their positions; nearly 200,000 Government workers have been laid off since April 1930, 161,000 in State, city, and county government and 33,000 in the Federal Government. Since 1932, 20,000 teachers have lost their positions, and the number of teachers employed is back at the 1930 level. Young men and women graduating from colleges and professional schools have been unable to find work; and boys and girls from school and high school who are of working age and need work to help their families could find nothing. From April 1930, the census month, to July 1933, the increase in persons seeking work, for whom no jobs existed, has been about 1,368,000.

Even in farming communities, city unemployment has had its effects. Young people, who would normally leave their fathers' farms to find work in the city, have stayed on the farm, and hundreds of people without work in cities have gone back to the land to live with relatives. Many a farmer has had family workers to help him when before he needed hired help, and many more have had so little income from their crops that they could not pay hired labor. Thus, about 600,000 more family workers were on our farms in April 1933 (compared to April 1930), but farmers were employing about 637,000 fewer hired laborers. There were also many working for farmers without pay who were not relatives—unemployed men who had begged food and lodging in return for their work; also hundreds of families have moved to the country to occupy any deserted house or shack they could find. Farm communities report every available house filled and shacks long deserted are now a refuge for some family—sometimes more than one family—who are gardening to raise their food. We have no way of counting the persons who are now trying to eke out a living in this way.

The tables below give the American Federation of Labor estimate of unemployment each month since 1929 and are followed by an explanation of our methods of calculation.

TABLE 1.—*Unemployment, estimate of total number out of work in the United States*

	1930	1931	1932	1933
January.....	3,216,000	7,160,000	10,197,000	13,100,000
February.....	3,565,000	7,345,000	10,486,000	13,294,000
March.....	3,543,000	7,698,000	10,739,000	13,689,000
April.....	3,188,000	6,739,000	10,990,000	13,256,000
May.....	3,090,000	6,750,000	11,470,000	12,896,000
June.....	3,250,000	6,841,000	11,853,000	12,204,000
July.....	3,714,000	7,198,000	12,300,000	11,781,000
August.....	4,101,000	7,357,000	12,344,000	-----
September.....	4,150,000	7,303,000	11,767,000	-----
October.....	4,639,000	7,778,000	11,586,000	-----
November.....	5,364,000	8,699,000	12,008,000	-----
December.....	5,541,000	8,908,000	12,124,000	-----

⁵ These figures are all in percents of 1929 average employment.

TABLE 2.—*Employment, estimate of total number at work in the United States*

	1930	1931	1932	1933
January.....	45,090,000	41,624,000	38,985,000	36,486,000
February.....	44,780,000	41,474,000	38,731,000	36,328,000
March.....	44,844,000	41,756,000	38,513,000	35,968,000
April.....	45,245,000	42,149,000	38,296,000	36,437,000
May.....	45,387,000	42,173,000	37,850,000	36,833,000
June.....	45,268,000	42,117,000	37,500,000	37,561,000
July.....	44,844,000	41,793,000	37,085,000	38,020,000
August.....	44,496,000	41,666,000	37,073,000	-----
September.....	44,488,000	41,753,000	37,684,000	-----
October.....	44,038,000	41,310,000	37,898,000	-----
November.....	43,350,000	40,419,000	37,510,000	-----
December.....	43,208,000	40,241,000	37,428,000	-----

METHOD OF ESTIMATING UNEMPLOYMENT

The principle followed in constructing the unemployment estimate is this:

Find the number at work and the number out of work in a base period (April 1930)⁶ by United States Government censuses, and carry the figures forward by the Government employment indexes. The Government census of manufacturers, trade, mines, etc., and the census of occupations give the base figures and the unemployment census gives the number out of work.

Labor Department indices and figures give monthly records of employment in: Manufacturing, mining, trade, utilities (street cars and busses, telephone and telegraph, electric power), service industries (hotels, laundries, dry cleaning) and building construction. Monthly figures for other occupations come from: Railroads, Interstate Commerce Commission; Farm labor, Department of Agriculture figures for hired labor on farms; Federal Government employees, United States Civil Service Commission; armed forces, United States Army, Navy, Marines, and Coast Guard; Federal and State road construction, Bureau of Public Roads, Department of Agriculture. Yearly figures are secured for certain groups where no monthly figures exist: Farmers and family workers on farms, farm population figures, Department of Agriculture; teachers, National Education Association; professional workers, from different professional organizations; local and State government employees, reports from local and State governments.

TABLE 3.—*Employment by industry*

	1929	April 1930	March 1933	July 1933
Total.....	-----	45,244,830	35,968,231	38,019,551
Agriculture:				
Farmers.....	-----	5,995,682	6,000,000	6,000,000
Family workers.....	-----	1,659,792	2,221,000	2,275,000
Hired labor.....	-----	2,579,196	1,933,187	2,062,104
Mining:				
Coal:				
Anthracite.....	150,293	126,396	82,060	65,828
Bituminous.....	476,876	450,171	322,368	301,386
Metal.....	118,177	105,532	35,453	38,998
Oil.....	183,681	159,435	103,779	109,290
Quarries and nonmining.....	103,502	90,461	36,329	51,233
Construction:				
Building.....	2,091,413	1,794,432	520,762	660,887
Roads.....	200,000	182,800	279,213	332,277
Manufacturing:				
Wage earners.....	8,470,062	7,789,826	1,759,378	5,852,891
Salaried workers.....	1,328,801	1,352,719	891,625	956,737
Railroads: Steam.....	1,669,774	1,555,692	921,448	992,279
Trade:				
Wholesale.....	1,605,042	1,561,706	1,173,286	1,234,277
Retail.....	2,925,537	2,846,548	2,088,833	2,182,451
Utilities:				
Street railroad and bus.....	301,934	287,441	210,749	209,542
Telephone and telegraph.....	544,125	538,140	398,300	372,726
Electric light and power.....	257,259	259,060	197,832	199,376

⁶ See "Other Details", p. 1083.

TABLE 3.—*Employment by industry—Continued*

	1929	April 1930	March 1933	July 1933
Service:				
Hotels.....	313,950	314,261	227,300	237,346
Laundries.....	255,151	247,884	186,260	194,680
Dry cleaning.....	68,392	68,816	48,695	56,697
Management.....		3,406,216	3,406,216	3,406,216
Professionals:				
Teachers.....		1,039,500	1,039,500	1,039,500
Others.....		1,031,991	849,000	832,000
Public service:				
Federal.....		598,559	566,986	565,432
Local and State.....		1,104,000	967,000	943,000
Armed forces.....		246,771	238,291	229,901
All others.....		7,851,800	6,263,381	6,617,497

When all these indicators have been applied there still remains a group about which we do not have enough information to apply separate indexes. This group numbered 7,851,800 in April 1930, and included chiefly the service industries—automobile garages and filling stations, restaurants, barber shops and beauty parlors, domestic servants; also radio broadcasting, motion picture theaters, street transportation (taxis and trucks), clerical workers in banks, insurance and real estate, semiprofessionals, social workers, trained nurses, those working on their own account, and others. It is assumed that employment in these trades varies about as that of all the other trades combined. Therefore, an index is made for total employment in all the known industries and applied to this group. In making this index, farm labor is left out because of its seasonal variations, and retail trade is adjusted for its extra employment in the Christmas season.

One other group, management, is considered as unchanging for want of better information. While a number of managers and proprietors have been thrown out of work by business failures, many persons have also supported themselves by starting in business on their own account—however small their beginning—and by securing management positions in newly opened firms.

Thus the monthly unemployment estimate is based on Government figures⁷ representing 75 percent of those gainfully occupied in April 1930; one group, 8 percent of all, is carried as constant; and the "unknown" group, estimated by the general index, is 17 percent of all.

Increase in those seeking gainful employment: This is combined from two sources: (1) Monthly Labor Department reports on immigration, showing the number of working men and women entering and leaving the country; (2) birth and death records, taking births of 16 years ago to give those coming of working age, minus deaths of the current year, and taking 39.8 percent of this figure since this is the normal percentage of the population seeking gainful employment.

The number out of work each month is then found thus: Total number seeking gainful employment minus total number at work equals total number unemployed.

Groups not accounted for: About a number of groups so little is known that no attempt is made to account for them in the estimate. They fall under the following heads:

Counted as employed: (1) Teachers who are teaching school but not being paid; we know that in many States, rural communities and even cities have not been able to pay their teachers, but the teachers have kept on at their work. (2) Those living with relatives on farms; they have food and shelter but are not earning enough to provide other essentials.

We have no way of estimating the number of persons who have been living on investments and since depression have been forced to look for work. No account whatever is taken of this group.

Counted as unemployed: (1) Those who are given food and shelter on farms (although not relatives of the farmer) and who give what help they can in return; (2) many unemployed are able to find temporary work bringing in intermittently a small income, some have found work outside the reported industries, many have gone to the country to occupy deserted shacks and raise their food. We have no way of estimating their number.

Those in forestry camps and those on work-relief rolls in cities are not counted as employed, since they are not in permanent earning positions. Therefore they fall into the unemployed group.

⁷ Figures from professional organizations for professionals.

OTHER DETAILS

Sources of base figures: Manufacturing, Census of Manufacturers 1929, omitting railroad-repair shops since they are included under railroad's (wage earners and salaried workers treated separately as described below); mines, Census of Mines for coal, metal, nonmetallic mines and quarries (including wage and salaried workers, but not principal salaried workers "or central administrative office employees"); trade, wholesale and retail, Census of Distribution, omitting restaurants and automobile agencies, filling stations, and garages, since these groups are not proportionately covered in the monthly trade indexes; hotels, Census of Hotels; laundries and dry cleaning plants, Census of Manufactures; railroads, Interstate Commerce Commission figures for class I railroads omitting executives, but including switching and terminal companies; Federal Government employees, United States Civil Service Commission; local government, reports from local governments; armed forces, reports from Army, Navy, Marines, and Coast Guard; Federal and State highways, figure for 1929 estimated from Bureau of Public Roads reports. Base figures for all other groups are from the Census of Gainful Workers by Occupation and Industry for April 1930, brought back to 1929 by their respective index numbers: Farmers, family labor on farms, hired farm labor, oil mining, building construction, telephone and telegraph, electric power, teachers, other professionals. Base figures for street cars are from the Census of Occupations, and for motor busses from the National Association of Motor Bus Operators. The management group is the sum of all owners, operators and proprietors, managers and officials in all industries as shown in the Census of Occupation by Industry. The figure for workers in each industry taken from the Census of Occupations includes all wage and salaried workers and omits all management groups (as above) except in building, where salaried workers, apprentices, and technicians are also omitted. The total number gainfully occupied is also from the Census of Gainful Workers by Occupation and Industry; the total number unemployed, from the Census of Unemployment.

Finding the number at work: The number at work in industries for which an industrial census exists (manufactures, mines, etc.) is, of course, the number given as "employees" or "wage-earners" and "salaried workers" in 1929 (average for the year). But in industries taken from the Census of Occupations the figure for "gainful workers" shows all those attached to the industry in April 1930 whether they were at work or not. Therefore, in industries where figures from the Census of Occupations are used, the number at work is the number reported as "gainfully occupied" minus those unemployed. Those considered as unemployed include the unemployment classes A (without jobs), B (on lay off), C (unemployed and unable to work), one-half D (having jobs but idle because of sickness), E (unemployed and not looking for work). When these groups have been subtracted, the remainder is the number at work in April 1930. In industries where a monthly index on 1929 base is to be used, these figures are carried back to the 1929 average by applying the employment index for the industry. Where indexes are not used, as for Federal Government workers, no 1929 base is necessary.

This method applies also to the total figure for the country as a whole. Thus in April 1930, the total number gainfully occupied as reported by the census was 48,829,920; the number unemployed, classes A and B, 3,187,647; classes C, $\frac{1}{2}$ D and E, 397,443; the total number at work was 45,244,830. For the country as a whole April 1930 is taken as base.

Applying the monthly indexes: The monthly indexes applied to the 1929 base give the number at work in the current month. Where monthly indicators do not exist and yearly figures are used, the yearly change is spread over the 12-month period, making a small change each month. During the period before the yearly figure is available, employment is carried as constant except in cases where available information shows that a small monthly change would be more accurate.

Salaried workers in manufacturing: No index exists to report monthly employment for this important group. The State of Wisconsin, however, publishes a figure showing monthly changes in employment of salaried workers in factories. Since this figure is the best indicator we have yet secured, employment of salaried workers in factories is assumed to vary according to this figure.

Farmers and farm labor: Careful study has been made of employment on farms and information secured from the United States Department of Agriculture. Unfortunately adequate statistical data do not exist to give an accurate account of monthly employment on farms, but the situation can be pictured in general from monthly reports on the number of hired laborers per farm and yearly reports on

farm population (Department of Agriculture). After careful consideration we conclude as follows: From April 1930 to April 1933, the number of farmers has not changed appreciably, but family labor on farms has increased and hired labor decreased as, noted above.

Seasonal changes in employment of hired labor on farms are very large; from the month of lowest employment (January or February) to the peak of the harvest season (July or September) employment may vary by more than 1,100,000. Most of these jobs, however, are filled by labor from the farm community and only a small portion given work to unemployed city workers. Farmers' sons go out to work on neighboring farms, or farm labor is furnished by men living in farm communities and doing other work in winter, or by migratory workers who travel from crop to crop. Farmers' sons are counted in our estimate as family workers on farms and are not considered unemployed when they come home after the summer's work. Among workers from farm communities and migratory workers, some unemployment probably exists in the wintertime. Also, in the summer season, some employment on farms is unquestionably furnished for city workers. After careful consideration we have adjusted the figure for hired workers on farms as follows, future adjustments being subject to change if better information becomes available: From April through the summer season, 30 percent of the increase in jobs (shown by the Department of Agriculture figure on hired labor per farm) is assumed to furnish work for the unemployed. The summer seasonal work is over by November; the figures for April and November are used without adjustment. From November to January it is assumed that 20 percent of the workers laid off are unemployed; but in the winters of 1930 and 1931 permanent layoffs were heavier and unemployment was 25 and 35 percent, respectively. From January through March about 10 percent of the hiring shown by the crude index furnishes jobs to the unemployed.

Mr. GREEN. In November 1934 over 19,000,000 persons were on the relief rolls. This represents more than 15 percent of the entire population of this country, dependent upon the Federal Government for aid. The Federal Emergency Relief Administration has estimated that of these 19,000,000 on relief, 5,500,000 are employable. We are justified in assuming from these figures and from our unemployment figures that there were unemployed in November 5,500,000 wage earners who were not yet on relief, representing probably an additional 20,000,000 people.

In November 1934 the Federal Government spent \$172,000,000 for relief, as compared with \$70,710,514 a year ago in the same month. Up to the present the Federal Government has made available for emergency relief purposes more than 2½ billion dollars—not including C. C. C. and P. W. A. funds or the amounts spent on drought relief and food surpluses.

The primary object of unemployment insurance is to secure the worker and his family against privation and suffering, and to help him preserve some standard of health and decency during unemployment, with as little harm to his self-respect as possible. The program of unemployment insurance we are considering now will not solve our present problems. It will become operative in 2 years time, when we hope that more normal conditions will have returned.

Senator BAILEY. Suppose this normal condition should not return, what would be the situation?

Mr. GREEN. Suppose it should not return?

Senator BAILEY. Yes.

Mr. GREEN. I just hate to reconcile myself to such a situation as that.

Senator BAILEY. I do, too.

Mr. GREEN. I am very apprehensive if this condition continues for that length of time.

Senator BAILEY. I am too. But just imagine that we spend money and exhaust the credit of the Government and these conditions then exist, what would be the consequences?

Mr. GREEN. I cannot of course predict what the consequences will be, but the burden will be increased tremendously—the burden of caring for the unemployed.

Senator BAILEY. If our credit should in the meantime be exhausted, we could not meet the obligation.

Mr. GREEN. Well, Senator, we cannot conceive of a situation of that kind, because our country is rich in resources, and for social and economic reasons we have to meet it. That is the answer I could make to that, but it seems to me that this condition cannot continue indefinitely. It is so abnormal and so unusual.

Senator BAILEY. So you really anticipate a considerable degree of recovery within 2 years? You predicate your views on that?

Mr. GREEN. Yes, I am optimistic; I am hopeful. I surely believe that within 2 years there will be economic improvement.

Senator BAILEY. But up to date we have more people on relief than we have had heretofore, according to your statement. Certainly, not less.

Mr. GREEN. More; I think the figures show more. But you must understand that people have had some savings up to a few years ago, their savings are being exhausted, and of course it will be more and more now.

Senator CLARK. That does not negative the proposition that there has been an improvement in conditions. In other words, people who have been able to stay off of relief by their own limited resources, are forced now to go on relief.

Senator BAILEY. Is not this the situation, that a certain number of people who are unemployed, have resources which they have exhausted? That increases the number of people who are not dependent, but they have been relieved by this Government credit, and as we tend to exhaust the Government credit, we exhaust the back line of resource, the last resources. Is that not what we have got to look to?

Mr. GREEN. Senator, I have to repeat that it seems to me that the resources of our own Government are almost inexhaustable.

Senator BAILEY. The resources may be, but the credit that the Government has is what I am speaking of; the definite available resources.

Mr. GREEN. I am not inclined to take quite as pessimistic a view of the situation as you seem to take, Senator. I am optimistic. I am looking for the bright side of it, and I think we are coming out of it, and when that time comes we will have to meet it if it comes, as you say.

Senator BAILEY. Should we not maintain ourselves so far as we may, in a position to meet that possibility, because it is a possibility?

Mr. GREEN. Why, yes; certainly. That is one of the purposes of this measure, I think, to try and establish buying power, a sustaining power that will help tide us over this terrible condition.

Senator BAILEY. Then I want one more question and I will cease. Do you think the measures of recovery now on foot are sufficient to justify a real anticipation that in 2 years conditions will be much better under the operation of the recovery measures now on foot?

Mr. GREEN. I do not know that they are all-sufficient, but they are bound to be helpful and they will serve, I think, an excellent public service in helping us out. That is my opinion.

Senator KING. Mr. Green, I am going to ask you, with the permission of my colleagues, to give some thought to a suggestion I am about to make, and then later, if you care to, to give a reply. What do you think as to the proposition that whatever relief shall be given now, this four billion or whatever sum it shall be, it shall be given to some organization such as the R. F. C. or some supplemental organization consisting of men that have vision and know something about industry, about what industries might be worked at a profit, and furnish a vast amount of labor, such money to stimulate private enterprise and profit opportunities, such as the N. R. A. is presumed to do with the \$300,000,000 which they have, rather than these so-called "public works"; in other words, would it not serve a useful purpose, a better purpose, to appropriate this \$4,000,000,000—\$4,880,000,000, and reduce it some to an organization such as the R. F. C., with limitations, as well as with authority to make loans for business or development of business, for expansion of business, which would furnish work to the people rather than to expend it in a haphazard way for so-called "strips of trees" across the continent, and highways, and so on, when we have got more roads now than perhaps we need in many places? I wish you would think that over, if that would not be a better plan than this haphazard—and I do not use the word critically—expenditure of money, such as has been made in a way through the C. C. C., the P. W. A., and so on. Place it in the hands of an organization with courage, breadth, and vision, to loan it to individuals for the development of opportunities and the furnishing of work. I do not ask for any opinion now; just think it over. I would be very glad to get your opinion.

Mr. GREEN. I will try and answer that. I would rather see a public-works program than this payment of direct relief. I think every thinking person would agree to that, that it is better that a man should earn his money than to have it given to him, and when you take into consideration the size of the Nation and also the number of unemployed, the number who are totally dependent, you will realize that after all a \$4,000,000,000 works program is not so large. If that amount of money can be expended in the development of a constructive public-work program, and that amount of money distributed among the workers so they can spend it, it will have an electrifying effect, in my judgment, upon industry, and it will help the morale of our people. They will be earning money rather than be the recipients of relief. That is bad—to continue that policy.

Senator COUZENS. So long as we have gotten off the security bill for a moment, may we have your opinion as to the intermediate wage which is suggested for that public-works program on these public works?

Mr. GREEN. My opinion is that the wage paid ought to be the prevailing rate of wage in every community. I do not believe these men should be required to work for less money than those employed in that community; for two reasons: First, if the Government sets a standard or a rate lower than paid in private industry, it will drag down the standards in private industry. That is an economic fact that we cannot get around.

Secondly, why should a worker, because he is dependent, be required to accept a lower rate of wage for his service than he would if he were not dependent and were in fact independent, and could secure employment? The objection offered that if the rate of pay paid on Government work is the same as that paid in private industry, that the workers will leave private industry and go into Government employment, can be overcome by putting the workers on a shorter work-day and a shorter work-week, so that their net daily earnings or their net weekly earnings might be less than the earnings in private industry?

Senator COUZENS. You mean to put them on a shorter period in the public works?

Mr. GREEN. Yes, and that will serve two purposes—it will distribute public work among more people and overcome the objection offered.

Senator COUZENS. So, that in the aggregate those working for the Government in public works will get less than they get in private industry?

Mr. GREEN. They might, but the same wage standards would be maintained.

Senator COUZENS. But in the aggregate they would get less per week?

Mr. GREEN. Yes.

Senator COSTIGAN. You strongly disapprove of such an arbitrary figure as \$50 per month?

Mr. GREEN. Absolutely. I should protest vigorously against that.

Our hopes and expectations in regard to the effects of any system of unemployment insurance we may adopt should not be too extravagant. We must not look upon it as a cure-all for all of our problems, nor as a method of bringing about complete stabilization of industry and of preventing all future depressions. No system of unemployment insurance, however comprehensive, could do this. For instance, no system of unemployment insurance could meet this extraordinary situation which now prevails.

We can hope and expect only that unemployment insurance will help to maintain wage levels and will exert some stabilizing effect upon our industrial system. We may hope also, I believe, that it will help in bringing about a more equitable distribution of income than we have had in the past or have at the present time.

Our primary concern now must be to secure the best possible plan in order to save ourselves the necessity of making sweeping and widespread changes later. It is wise now to initiate the type of plan which we wish to continue. To this end, we must use to the full the experience of other nations and of our own best-informed leaders and students in the field of social insurance.

There are certain portions of the bill which I wish very much to see amended. First, in title IV, which provides for a Social Insurance Board to act as the policy-making and administrative agency of the entire social-insurance program, I should like to see an amendment which would provide for labor representation on the Board. With such labor representation on the Social Insurance Board, the wage-earners of the country will feel that their interests will be more adequately protected and this, in turn, will tend to insure confidence and satisfaction.

There has been much discussion in recent months of the relative values of the grant-in-aid or subsidy plan and the Wagner-Lewis

plan. Labor favors a national unemployment insurance measure. That is, we would prefer such a measure because of its uniform character and because of the simplicity there would be in its enforcement.

Senator KING. Don't you think that local conditions ought to have some influence upon the character of relief?

Mr. GREEN. Well, local conditions would, because if you make a basis of 50 percent, that would be less in some localities than in others, due to the standards.

Senator KING. I have in mind that perhaps in some sections of our country, because of climatic conditions, to say nothing of other conditions, living is much cheaper in different parts of the country.

Mr. GREEN. Wages are lower, too, Senator, and the national percentage of payments would be less.

Senator KING. Your plan would not be, then, to compel the same level of wage in every section of the United States regardless of local conditions?

Mr. GREEN. No, sir; that is economically impossible. Such a measure would establish fair and equalized competitive conditions, insofar as the costs and the benefits of unemployment insurance are concerned; it would establish a uniformity of standards which could be achieved in no other way. Since such a national measure apparently cannot be adopted under our Constitution, the grant-in-aid or subsidy plan comes closest to fulfilling the desires of labor. In addition, the grant-in-aid plan will lend itself readily to conversion into a national unemployment insurance system if the time comes when it is possible for us to adopt a national system.

The bill we are discussing today places primary responsibility upon the States, and permits each State to determine the type of unemployment insurance it will adopt. But our unemployment problem is not a State problem. Industries extend beyond the borders of States; they reach across whole sections of the country, and even across the entire continent. Labor in the United States is more mobile than in any other country in the world. It moves from State to State, from industry to industry. Capital, likewise, is fluid, and moves freely and easily from one State and from one section of the country to another. Industries shift readily. We have had evidence of this in the recent shift of the cotton textile industry from New England to the South, and the removal of such industries as fur manufacturing, pocketbook making and some of the clothing trades from the metropolitan area of New York to the rural districts of New York, Connecticut, and New Jersey. In a society which is characterized, as is ours, by fluid capital, migratory industries, shifting labor markets, seasonal, technological, and cyclical forces, unemployment cannot be looked upon in any sense as a local, State, or even regional phenomenon, to be insured on anything less than a national basis. The grant-in-aid plan recognizes the national nature of the unemployment problem and is in line with the needs of both industry and the workers. It recognizes that the States should not be required to serve purposes for which they are not fitted.

The grant-in-aid or subsidy plan of unemployment insurance can more adequately meet the needs of American industries and American workers, in my opinion, than can the plan proposed by the present bill.

There is no reason why we should today go through a long period of experimentation in the States. We have the experience of other countries and the advice of our own students and experts to guide us. We do not want 48 different types of unemployment insurance. That does not seem to be a good thing. Wide variations in type of fund, in length of waiting period, in amount of benefits and length of time during which benefits would be paid, would be highly objectionable and most unsatisfactory and particularly to labor. These variations will give rise to great inequalities and injustices. The grant-in-aid or subsidy plan offers the most satisfactory basis for a permanent, national unemployment insurance program. In addition, the grant-in-aid plan increasingly assures deposit of the money in the Federal Reserve banks. There can be no pressure under that plan for the deposit of the funds in local banks. If the funds are cared for by the National Government, there will be less danger that they will be subjected to political misuse.

May I explain just now to the members of the committee that an advisory committee was appointed by the President and it was assumed that that advisory committee was quite representative of labor, employers, and of the public, and along with that committee, the social security experts served and gave splendid advice. The question of the grant-in-aid plan or the rebate credit plan, as proposed by the Wagner bill, were thoroughly discussed by that committee. It was gone into exhaustively, and the committee by a vote of 9 to 7, I think it was, finally decided to favor the grant-in-aid plan, and that was the recommendation of the advisory committee to the Social Securities Committee, composed of the Cabinet members. So that the advisory council appointed by the President, by a decisive majority, after an exhaustive discussion and examination of all of the facts, decided in favor of the grant-in-aid plan.

Senator HASTINGS. Mr. Green, I think I understand you, but won't you put in the record there just what you mean by the grant-in-aid plan, and if you have any recommendations to make, do that, please?

Mr. GREEN. Yes. I have the recommendations here. The difference in the grant-in-aid plan and the credit plan as proposed in this measure is simply this—and I presume some of the experts have analyzed it for you. In the first place, in the grant-in-aid plan, the Government levies the tax, the pay-roll tax. Let it be 3 percent, or 4 percent, or 5 percent. It collects that money; it comes into the Treasury of the United States; it is held by the Treasury of the United States and by the Federal Government. Then the States are given to understand that if they pass unemployment insurance legislation which measures up to certain standards set by the Congress of the United States, that the Federal Government will subsidize them to the extent of the tax paid by the different States.

Senator CLARK. You describe the system in the act. That does not leave it, as this bill does, to some Federal Administrator.

Mr. GREEN. I describe the system in the act. It is on the same basis as the contribution—as I understand it—it is on the same basis as the contribution made by the Federal Government to States in the development of roads—we match you, we subsidize you; we pay this amount to you providing your act measures up to the standards set by the Congress of the United States.

Senator COUZENS. But it has no relation, however, to where the money comes from.

Mr. GREEN. I beg your pardon?

Senator COUZENS. I mean, in the grants to the States for road building, it has no relation to the source of the income? The aid to build roads comes from the general fund?

Mr. GREEN. From the general fund.

Senator COUZENS. And has no relation to the source of the collection?

Mr. GREEN. No.

Senator COUZENS. While this bill provides that 90 percent of the 100 percent collection of the 3 percent, 90 percent goes back to the State from which it came.

Mr. GREEN. That is this Wagner proposal.

Senator COUZENS. That is what you do not approve of?

Mr. GREEN. That is in the shape of a credit. It is not collected. The employers of the State are given credit with 90 percent of the amount that they would pay to the Federal Government provided they could show they paid it into a State insurance fund. In one way the Government gets the money and in another way it does not.

Senator CLARK. Then, if I understand the difference, another difference, Mr. Green, under the plan that you propose, the Government collects this money and puts it into the fund?

Mr. GREEN. Yes.

Senator CLARK. It is put into the Treasury?

Mr. GREEN. Yes.

Senator CLARK. Then if the State does not come along and match it and there is any excess left in the fund, it would be left in the Treasury to be used for the benefit of the fund?

Mr. GREEN. Yes, sir.

Senator BLACK. What I understand is that you propose that so far as the plan for collection is made on pay rolls, the Government can go ahead and do that from the pay roll?

Mr. GREEN. Yes.

Senator BLACK. For the States, as provided?

Mr. GREEN. Yes.

Senator BLACK. But in addition to that, and separate and distinct from it and not connected with it in any way whatever, the Federal Government out of its funds, provide a subsidy to each separate State exactly as it does in the Federal aid to highways?

Mr. GREEN. It would be on that same basis. It would be the amount of tax, however, collected from the pay roll, 3 percent or 4 percent or 5 percent. Congress, of course, would have to appropriate the amount of money each year, I presume, just the same as they would appropriate it under the grant-in-aid for road building.

Senator CLARK. I did not perhaps make my question clear. You propose that, as done in this bill, a tax be imposed practically on pay rolls?

Mr. GREEN. Yes, sir.

Senator BLACK. Through the employers?

Mr. GREEN. Yes, sir.

Senator BLACK. That will constitute a part of the fund, but in addition to that, as I understand it, do you favor an additional aid from the Federal Treasury out of the general tax-raised money?

Mr. GREEN. The money collected from the pay-roll tax only, unless the Congress of the United States——

Senator BLACK (interposing). What difference is that to the plan offered here?

Mr. GREEN. It is this difference, that there is a question of the constitutionality of the act which seems to be involved. Secondly, if the Federal Government collects this tax and has it in its possession, it can require the States to meet certain standards set by the Congress of the United States, whereas under the other plan, the State fixes its own standards without any control by Congress, and rebate to the employers of the State the amount of tax they may have paid into the State insurance fund. There is the difference in the two.

Senator BLACK. Yes.

Mr. GREEN. And labor is very much concerned with the standards, as I will develop.

Senator BLACK. Has your organization considered the proposal to have a real Federal subsidy out of other moneys to each State as provided in the Federal highway system?

Mr. GREEN. Under the old-age pension——

Senator BLACK (interrupting). I am talking now of unemployment.

Mr. GREEN. We are not proposing that.

Senator BLACK. What is the difference, as you understand this tax, in an employment tax or a tax on the employer, and a manufacturers' sales tax?

Mr. GREEN. The difference is this: That Uncle Sam gets the money in his Treasury.

Senator BLACK. He would do that on a manufacturers' sales tax, wouldn't he?

Mr. GREEN. You mean under this Wagner bill?

Senator BLACK. I am talking of the kind of tax that is proposed for unemployment insurance. What is the difference in the people upon whom that tax rests and the manufacturers' sales tax?

Mr. GREEN. It makes no difference so far as that it is being imposed on the people; none whatever, because an employer will pass on the cost to the consumer. That makes no difference. Here is the difference, Senator, and I want to make that plain. In the first place, the Federal Government gets the money. It is paid into the Federal Treasury. Then the Federal Government, through Congress, can say to the States, "We will subsidize you providing you pass unemployment insurance laws that measure up to the standards set by Congress."

Senator BLACK. Just a moment there, Mr. Green.

Mr. GREEN. If you don't, you get no money.

Senator BLACK. That is not subsidizing them; that is paying them back the money collected from them. A subsidy is a grant-in-aid out of the Federal Treasury, which is not necessarily raised from the particular State to which it goes back.

Mr. GREEN. The money comes into the Treasury.

Senator BLACK. Certainly, but what I am getting at is this: What is the difference between the employers' tax as provided in that bill, and a manufacturers' sales tax, as to the persons who have to bear the burden?

Mr. GREEN. I do not think there is any difference, insofar as the people bearing the burden, but there is a difference in its distribution.

Senator BLACK. I understand that. Then if the Federal Government granted aid to the State out of income taxes, inheritance taxes in the higher brackets, there would be a considerable difference between that part of the payment and the manufacturers' sales tax, and the employers' tax.

Mr. GREEN. Yes; a good deal of difference in them, but the thing about it is that if you have the money and you bargain with me and I have to meet your standards in order to get the money, you can bargain with me better than I can bargain with you, and that means that the States must meet the standards set by Congress in order to get the money.

Senator BLACK. That has nothing to do with this particular question that I am questioning you about now. In other words, I wanted to see if your organization had studies and taken any position with reference to the desirability of a real grant to the States, not from its funds nor from funds necessarily raised in the particular State, but from general Federal taxes.

Mr. GREEN. I think, Senator, we would be willing to go a long way on that if we thought there was the ghost of a chance to get it through.

Senator BLACK. You have not considered that?

Mr. GREEN. No; we have considered the pay-roll tax only.

Senator GORE. Mr. Green, will you explain a little more fully the constitutional question that you mentioned a moment ago?

Mr. GREEN. Senator, I am not assuming to be an authority on the Constitution, but I have been told that it has been clearly determined by the Supreme Court that the Congress of the United States can collect taxes, can levy taxes, and can subsidize States. There is a question as to whether the Congress of the United States can use this taxing power to indirectly compel a State to do something.

Senator GORE. That was involved in one of the child-labor laws.

Mr. GREEN. That is the question involved.

Senator GORE. Yes. Your plan is for the Federal Government, however, to prescribe the standard and require the States to conform to that standard, depending on the money that it has and the failure to obtain the money if it does not have it.

Mr. GREEN. Yes. I have the standard here that we recommend.

Senator GORE. I want to ask you one or two questions before I leave. Miss Perkins made reference, a day or two ago, to men who are 45 or 50 years of age and who are, in a way, cast into the economic junk heap on account of their age. Of course you have given a good deal of time and thought to that subject. What is the controlling reason why that thing is done? Of course they have accumulated experience and therefore are better fitted than younger men who have had less experience. Does that have any reference at all to premiums on group insurance or industrial insurance?

Mr. GREEN. You mean the average age of employees in a plant?

Senator GORE. Yes. Why is it that industry has thrown these men into the discard, when they have accumulated experience and have the physical fitness to go ahead with their task? Why is that being done? I understood it was because the premium on industrial insurance, compensation insurance was higher and because of that, they dropped them out, so as to escape that higher premium. I want to find out whether that is true or not.

Mr. GREEN. That is a situation that has grown out of our modern developments. It seems in our mass-production industry, where production lines are speeded up, that the management require younger men and they are disinclined to employ men of 40 and 45 years of age. The facts are that in many mass-production industries men who reach 45 years of age cannot secure employment.

Senator GORE. Is that because they are not supposed to have the speed? What is the reason?

Mr. GREEN. I presume that is because they are not classified as being as speedy as the younger men, and of course the mass production industries are speeded up and keyed up to the highest point possible.

Senator GORE. Then do you not think the matter of insurance has any controlling effect on that?

Mr. GREEN. Yes it has, where group insurance prevails, but you must understand, Senator, that group insurance does not prevail in all mass-production industries.

Senator GORE. Could you give a general statement of categories where it does and where it does not?

Senator BARKLEY. Right on that point let me ask you this: Is it true that the industry wants younger men because they are faster or because they are going to have a longer period of employment, a more steady period of employment? Naturally they would rather have a younger man who will last 20 years or 25 years rather than a man of 45 who may last only 10 years.

Mr. GREEN. I think it is because of the speed-up system that prevails in the mass-production industry, the younger men are more alert, more active, and for that reason they can adjust themselves to the speed-up system better than the older men. That is my personal opinion.

Senator GORE. We would like to have some suggestion on that point.

Mr. GREEN. Of course, Senator, where the group insurance prevails, each year as the men grow older, the cost of group insurance increases, because the average age increases, and so on.

Senator GORE. I was wondering whether you made any investigation on that, whether or not there would be some way of requiring the employers and employees to impound a fund out of which the extra premium charged could be paid with respect to these men who are advanced in years.

Mr. GREEN. The men who are displaced or retired, you mean when they reach 45 years of age?

Senator GORE. So that if their premium is advanced they will not be retired, but they will be allowed to continue to pay the average of what the lower average of ages pay, to impound a fund contributed to by employers and employees out of which the excess charge on those premiums could be paid.

Mr. GREEN. I think the whole system is a cruel system.

Senator GORE. You mean the group insurance?

Mr. GREEN. No, not that; I mean the discrimination against a man who is 40 or 45 years of age.

Senator GORE. It looks to me like it is not only a discrimination and a tragedy against a man who has reached the age of 40 or 45 years, but it is a tragedy to our social and economic system. It gives preference to inexperience over experience.

Mr. GREEN. Absolutely, because in most instances, I think 90 percent of the men who are 40 and 45 years of age, are perhaps more desirable than younger men. They have judgment, where the younger men do not. It is a cruel system developed out of our mechanized industrial system and the mass production that has grown out of that.

Senator GORE. It is one of the worst problems in our economic system.

Senator HASTINGS. Mr. Green, may I inquire whether in any industries that have a contract with your organization with respect to labor, whether under such contract a man may be dismissed because he reaches the ages that Senator Gore is talking about? In the contract that you make with the employer, is there any effort made by your organization to take care of these men who have reached that age?

Mr. GREEN. Yes, we take care of them where we are organized, where the workers are organized we protect them against discrimination, but there is no stipulation, as a rule, in the agreement. We just protect them through our economic strength.

Senator HASTINGS. If they undertook to dismiss a man that was 50 years of age and employed a man that was 30 years of age, is that considered discrimination under your agreement?

Mr. GREEN. Yes, that would be discrimination, unless they could show good reason why the man at 50 ought to be dismissed. Of course we are reasonable enough to know if he is not qualified to do the work, they have the right to dismiss him, but we always ask that he be shifted somewhere else where he can serve. We do not feel he ought to be pushed out altogether. Now, in many industries, our agreements provide for a seniority rule. On the railroads, for instance, the seniority rule prevails. If there is any reduction in the force, the man with the shorter service is dropped out and the older man is retained. Perhaps you have observed on the railroads that the trains are operated by older men, and they do it very well, they render excellent service.

I should like to include in the record—I will not take the time, Mr. Chairman, to read it, but I should like to include in the record the report or the recommendation of a majority of this advisory committee.

The CHAIRMAN. Have you the names of that advisory committee?

Mr. GREEN. Yes, sir.

The CHAIRMAN. I wish you would put that in the record.

(The above report or recommendation mentioned is as follows:)

THE GRANT-IN-AID TYPE OF FEDERAL-STATE COOPERATIVE PLAN FOR UNEMPLOYMENT COMPENSATION

(Not an analysis or comparison, but a summary of some of the larger aspects of the grant-in-aid plan supported by the majority as interpreted by one of them.)

The majority of the Advisory Council on Economic Security, by a vote of 9 to 7, favor the grant-in-aid type of Federal-State cooperative plan for unemployment compensation. A number of the majority are for an outright national plan. All would strongly favor the Wagner-Lewis type as against any less meritorious plan. All would present a united front against those who would oppose or delay legislation this winter. Yet the majority are clearly for the grant-in-aid plan.

The fundamental position upheld by the majority is that the grant-in-aid plan is more adaptable to our economic life and to the needs of both industry and the workers. American economic society is national in nature. It is not organized according to geographical or political subdivisions. Industries reach across

States, sections, and even the continent. In this economic society labor is mobile. Workers move from industry to industry, from State to State, from an industry in one State to a different industry in another State. In a society of fluid capital, migratory industries, shifting labor markets, seasonal, technological, and cyclical forces, unemployment is a social hazard of our dynamic industrial life.

Unemployment is, thus, a problem of industry and the Nation. Its economic and other causes and its social and other incidence involve our whole industrial order. Any Federal-State cooperative plan for unemployment compensation should, therefore, recognize as far as practicable and wise, our national economic structure. Cooperative Federal-State legislation and administration should recognize the spheres and values of the Federal and State governments, but the States should not be required to attempt to meet situations and serve purposes not in accordance with their situation and nature.

The purpose of the Federal-State cooperation is to stimulate a more intelligent stabilization of industry and to provide more security for the workers. The Wagner-Lewis plan and the grant-in-aid plan are both Federal-State plans directed toward these two ends, with more emphasis on the State approach in the former and with more emphasis on the national nature of unemployment in the latter. The majority hold that the grant-in-aid plan can more adequately meet the needs of American industries and workers with their unemployment problems created by (1) national and interstate industries, (2) mobile labor, interstate transfers, and employment records, (3) the need for Federal reinsurance, (4) for national minimum standards. Under the grant-in-aid plan the Federal-State administration can more effectively guard the integrity of the fund, the stabilization of industry, and the best interests of the workers as parts of our national dynamic society.

The collection of the tax by the Federal Government required by the grant-in-aid plan affords a clearer basis for the deposit of the money in the Federal Reserve banks. There can, under this plan, be no basis for pressure on Congress to allow the money to be deposited in local (and in some State political) banks. The value of the nationally wise use of the funds by the Federal Reserve as an aid to stabilization cannot then be jeopardized by either financial short circuits or political misuse.

Furthermore the grant-in-aid would be separate from the tax law. Congress has power to levy this geographically uniform excise tax on pay rolls. Congress also has power to appropriate money as grants-in-aid to States for a public purpose on terms laid down by Congress. Unemployment compensation and the promotion of industrial stabilization and social security constitute a clear public purpose. In the Wagner-Lewis plan the tax and the appropriation are joined in the same act. Under the strain of carrying sufficient national minimum standards and other regulations required by the interstate and national nature of industry and unemployment such a joint act more seriously raises the question of constitutionality.

The grant-in-aid plan appears not only the stronger constitutionally, but it is also a variation and development of Federal grants-in-aid which are a historically established part of our Federal-State structure. This plan also more nearly fits in with some other proposed plans to promote insurance against destitution and could more readily help to unify the collection of the funds involved in a more comprehensive program of social security.

For the purpose of securing early legislation by the States for this program, Congress could fix a time limit as a condition for a valid acceptance by the States. Moreover, with the interests of industry and 16,000,000 workers involved it is inconceivable that Congress would ever fail to continue the appropriations.

The grant-in-aid plan, it seems to us, can provide for Federal-State cooperation; is yet more adaptable. The needs of industry and the workers in our national economic society can secure and maintain Nation-wide minimum standards without as validly raising the question of constitutionality, and provides for experimentation in the interests of stabilization. It leaves open to the States experimentation along the lines of pooled insurance, plant accounts, or a combination of the two. The plan can also provide a clearer basis for experimentation along interstate and even national lines. On the basis of all these experiments, we may develop toward the best plan whether mainly State, mainly Federal, or wholly national.

Finally, we believe that the grant-in-aid plan can better provide for essential minimum standards in the interests of the fund, the employers, and the employees. Minimum standards for all the States in such a Federal cooperative plan would

furnish the bottom below which there must be no chiseling or exploitation and above which there can be wide experimentation by the States and industries for the purpose of stabilization, increased employment, and more security for the workers of America.

The CHAIRMAN. I wish you would give the names of both the majority and the minority of that council. The committee might like to hear the names of the gentlemen there.

Mr. GREEN. I will be glad to read them. The committee was:

Gerard Swope, president, General Electric Co., New York City.
 Morris E. Leeds, president, Leeds & Northrup, Philadelphia.
 Sam Lewisohn, vice president, Miami Copper Co., New York City.
 Walter C. Teagle, president, Standard Oil Co. of New Jersey.
 Marion B. Folsom, assistant treasurer, Eastman Kodak Co., Rochester, N. Y.
 William Green, president, American Federation of Labor, Washington, D. C.
 George M. Harrison, president, Brotherhood of Railway and Steamship Clerks.
 Paul Scharrenberg, secretary-treasurer, California State Federation of Labor.
 Henry Ohl, Jr., president, Wisconsin State Federation of Labor.
 Belle Sherwin, former president, National League of Women Voters.
 Grace Abbott, University of Chicago and former chief, United States Children's Bureau.
 Raymond Moley, editor of *Today* and former Assistant Secretary of State.
 Paul Kellogg, editor, *The Survey*, New York City.
 George H. Nordlin, chairman, Grand Trustees, Fraternal Order of Eagles, St. Paul.
 George Berry, president, International Printing Pressmen and Assistants' Union.
 Josephine Roche, president, Rocky Mountain Fuel Co., Denver, Colo.
 John G. Winant, Governor, New Hampshire.
 Mary Dewson, National Consumers League.
 Louis J. Taber, master, National Grange, Cleveland, Ohio.

We ought to have higher and more uniform standards than we can secure under the proposed measure. Those uniform standards can be established only through the efforts of the Federal Government. The proposed bill fails, in fact, to establish any standards whatever for State laws. It does not prohibit compulsory employee contributions; it does not fix the length of the waiting period; it does not establish the amount of benefits to be paid nor the time during which the payments of benefits shall continue. The subsidy plan would establish minimum standards, particularly in the basic features of the bill, and those minimum standards would be common to all the wage earners of the country, and that, I think, is desirable. This plan need not prevent States from experimentation. Beyond the minimum standards, the States will be free to experiment in any way they may choose.

There is every indication that there will be less question of the constitutionality of a law providing for the grant-in-aid or subsidy plan than there will be of the present bill, if it becomes law. Congress has power to levy a uniform tax on pay rolls. Congress also clearly has power to appropriate money as grants-in-aid to the States for such a public purpose as that of unemployment insurance, on the terms which Congress may establish. Federal grants-in-aid are an established part of our Federal-State relationships. We have been doing that. There is nothing new in this plan, and it avoids experimentation which may be both dangerous and unconstitutional.

I urge, then, that the grant-in-aid or subsidy plan be substituted for the present measure, and that the substitute bill provide for the Federal control of the unemployment insurance funds. In addition, I strongly recommend and urge that standards be written into the

bill to be met by any State which secures a grant-in-aid from the Federal fund. The specific minimum standards which should be included in the Federal unemployment insurance laws are:

1. Employee contributions should not be required or permitted in any State. There are many reasons why organized labor opposes compulsory employee contribution to unemployment funds. The primary reason is that wages are so low for the vast majority of wage earners that they simply will not permit even very small contributions to such funds. Employee contributions would literally have to come out of the bread and butter of the wage earners. How can workers be asked to reduce their expenditures for living still further, in order to finance insurance against a hazard for which they are in no way responsible, and toward the elimination of which they can do nothing? The cost of unemployment is a legitimate charge in the cost of production. Unemployment is just as much an accomplishment of our present system of production as is any other overhead cost which employers meet.

A second reason why we oppose compulsory employee contribution is that contributions for unemployment insurance paid by employers are ultimately passed on to the consumers, while the contributions of the workers must come out of their net earnings, and cannot be shifted in any way.

We talk about the collection of a tax of 3, 4, or 5 percent of the pay roll. The facts are that that tax collected will be added to the cost of production and instead of the employer paying it out of his net earnings, he passes it on to the consumer. There is that difference between the contribution made by the employer and the contribution made by the employee. The employee must pay it out of his net earnings, he cannot pass it on.

Senator BLACK. Mr. Green, may I ask you a question, please, sir?

Mr. GREEN. Yes, sir.

Senator BLACK. If I am not mistaken, it shows in the Federation of Labor Magazine, in the statistics that it covers, and in other places, that most of the consumers themselves are employees.

Mr. GREEN. Yes.

Senator BLACK. Over 90 percent of them are employees with small incomes and funds.

Mr. GREEN. Yes.

Senator BLACK. If those employees with those small incomes and funds are compelled to pay an added price by reason of the pay-roll tax, what is the difference between that system and the system of putting the tax directly on the employees?

Mr. GREEN. It is probably a distinction without a difference, Senator, because the whole cost is passed on to the consuming public. The employer, as I see it, is merely the collecting agency, collecting the tax for the Federal Government in any plan that you put on. That is true in the workmen's compensation insurance law, as you know. The cost of workmen's compensation insurance is included as a fixed cost of production and is passed on to the consuming public.

Senator BLACK. I agree with the soundness of the argument which you are making, but I want to see if I cannot follow it on and I want to see if it is not true that the only possible escape from that is a different method than the method that is suggested in the bill.

Mr. GREEN. You are suggesting this in favor of the argument which you make on your plan of collecting the money from the higher bracket?

Senator BLACK. Your objection is to putting it on the employee because he would have it taken out of his wages?

Mr. GREEN. I do not want to get into any argument with you on that.

Senator BLACK. I want to follow it up, because I want to get it in the record. I think probably I may want to offer an amendment and I want to see if I cannot get it clear. Your objection is that it will take it out of his wages?

Mr. GREEN. Yes.

Senator BLACK. Now, if he has to pay a higher price by reason of the pay-roll tax, he helps to pay the tax that is put on the employer to that extent. That being true, if we imposed the cost of this system upon a pay-roll tax it will be borne by the smaller consumers in the main, will it not?

Mr. GREEN. Yes, sir; that is inevitable.

Senator BLACK. Is it not true that the only possible way to avoid that is by some method of getting a part of this contribution from those who have higher incomes and who do not buy any more of the consumable products than the employees themselves? Is there any other way we can escape that? Is there any plan that you can think about that will bring in a part of this fund from those who have separate incomes? By "separate incomes" I mean more than an income sufficient to buy the necessities of consumable goods. Isn't the only way that we can get it through an income tax and an inheritance tax? Is there any way of doing that except by Federal custody?

Mr. GREEN. We proceed upon the principle that the vast consuming public, that is the farmers, the laboring, and the masses of the people should be relieved of this burden.

Senator BLACK. At least in part.

Mr. GREEN. At least in part. Your plan would be the only alternative, of course.

Senator BLACK. In other words, under this plan, as it is now written, it is manifestly clear, is it not, that the main burden will have to be borne by that great group of consumers who are in the lower income-tax brackets?

Mr. GREEN. You cannot help it because they are the mass of the consuming public. I agree with you on that.

Senator BLACK. If we were to adopt a Federal-aid system which would collect a part of that fund from the higher incomes and pay it into the States as a subsidy, we would distribute it partially on the consumers even then and partially on the higher incomes.

Mr. GREEN. That is the way it would work out; yes, sir. I have incorporated your suggestion in the old-age pension plan. A part of the money out of which old-age pensions should be paid should be collected from the higher brackets of the income tax and from inheritance taxes, and so forth. We have been proceeding all the way through upon the principle that unemployment insurance must be borne by the consuming public through a pay-roll tax, the employer being the collecting agency through which the money should be collected. In fact that is the basis of it in every other country."

Senator BLACK. But if it comes wholly or if it comes 90 percent from the group of smaller incomes it is clear that it would not increase the aggregate purchasing power.

Mr. GREEN. I would relieve labor and the farmers of a burden to that extent.

Senator BLACK. You mean under the other system?

Mr. GREEN. Yes; that is what I mean.

Senator BLACK. Are you familiar with the fact that England has recently, within the last few months, in order to accomplish that very purpose, raised the amount of national contributions?

Mr. GREEN. Yes.

Senator BLACK. On their various security programs.

Mr. GREEN. Yes; I am aware of that.

Senator CONNALLY. Mr. Green, let me ask you this question: If the employee does not contribute anything at all from his wages, are not you putting a heavier burden on that vast class of people who are also consumers and taxpayers that will not get any benefit, for instance, the employees in establishments employing less than four persons? Employees working in establishments employing less than four persons will not get anything under this bill, yet they will either pay more in direct taxes or they will pay more for the cost of their goods in order to give men who are employed in other establishments the retirement benefits which they themselves would never get.

Mr. GREEN. They drew the line there on four in order to exempt the farmers and the farm population.

Senator CONNALLY. Why exempt them?

Mr. GREEN. They did not feel it was fair and just to extend unemployment insurance over that industry and over that class of people.

Senator CONNALLY. But we are going to extend the cost of it over them.

Mr. GREEN. Yes.

Senator CONNALLY. They will have to pay more for everything they buy, for everything they consume, and they will get no benefit from it, whereas the employee that will get a benefit from it will not contribute a cent.

Mr. GREEN. Of course labor might say at the present time that it is not getting much benefit out of the processing tax which it pays in order to help the farmer. It is a question of mutuality, of helping this way and that way. We are paying that tax, as you know, and are glad to do it, because we want the farmer to raise his economic standards.

Senator CONNALLY. If we did not have the processing tax probably a lot of factory employees would not have a job either.

Senator CLARK. Mr. Green, what is the length of time that an employee must be employed in order to be considered as an employee?

Mr. GREEN. How is that?

Senator CLARK. I say, what length of time must a man work for an employer in order to be considered as a regular employee?

Mr. GREEN. We are attempting to meet that situation by establishing the pooled State funds, as I am going to recommend here in a moment, so if a man passes from one State to another he does not lose his claim for unemployment insurance.

Senator CLARK. How about a farmer who employs transient labor?

Mr. GREEN. The farmer is exempt under this.

Senator CLARK. He is not exempt if he employs more than four.

Mr. GREEN. It is felt that he will not employ more than four.

Senator CLARK. A great many farmers employ more than four people at certain periods of the year.

Mr. GREEN. Perhaps they do.

Senator CLARK. During harvest activities, and so forth.

Mr. GREEN. Of course you have to take it on an average. If you take it for a month or two, or a few weeks, that would be considered as temporary employment. We are dealing with permanent employment.

Senator CLARK. What I am trying to get at is what is the definition between permanent and temporary employment in the bill?

Mr. GREEN. I am not in a position to explain to you what definition has been made in the bill or what definition will be made by the board that will administer it. That will all be taken into consideration, as I see it. I know the intention is to deal fairly and justly with all in this matter.

The workers, who are themselves the principal consumers, will ultimately, therefore, pay a portion, at least, of the contribution of the employer. Workers have borne the entire cost of unemployment in the past. They will continue to bear at least 50 percent of the cost, when they receive only 50 percent of their wages while they are unemployed. In addition, they will pay indirectly for unemployment insurance through decreases in wages which many employers will institute; or through the failure to receive increases in wages which they might otherwise receive. Since old age is not caused by the employer or the system of production which this country has established, it is only just that the employee should bear a portion of the expense of that insurance. I draw the line there. This is an additional reason why he cannot be charged also for a portion of the cost of unemployment insurance. His wages simply are not equal to the payment of contribution to the two funds. It is my urgent request that any unemployment insurance measure enacted into law contain a stipulation that State laws must provide that the entire contribution shall come from the employer.

Second. The Federal tax on pay rolls which is provided in the present measure is entirely inadequate and should be increased in order that the waiting period may be shortened, and the benefit increased, both in amount and in the time during which benefits are paid.

In November 1934 the Federal Reserve Board's index of industrial production, including manufactures and mines, based on the years 1923-25 (the base used in the bill) was only 74 percent, without the inclusion of building, which for that month stood at only 31 percent. The bill, therefore, does not provide even for the inadequate 3-percent tax unless production increases very materially. I can see no justification for predicated the tax to be assessed under an unemployment insurance bill upon past production in any year or series of years. We may not return to the production of 1923-25 for a long time. I favor a tax of 5 percent to begin at once, without reference to production averages. We realize that there must be some delay in putting into operation an unemployment insurance measure, but I see no reason why we should deliberately delay the collection of taxes for this purpose until we return to some more or less arbitrarily

selected level of production. Such a delay in the collection of taxes for this purpose will be exceedingly difficult to explain or to justify to the masses of the American people. With curtailed production under many of the codes, with a greatly decreased foreign trade in which there is little present prospect of improvement, and with production for the entire year of 1934 only slightly above that of 1933 and still far below that of so-called "normal times", we cannot reasonably hope for the 3 percent tax to be reached for some time to come.

Senator HASTINGS. Mr. Green, right at that point, have you any estimate as to what 3 percent or 5 percent would be, annually?

Mr. GREEN. Yes; we have made some estimate on it, but it is all a bit uncertain, Senator, because it is based upon shifting the index of production and it is very, very difficult to determine accurately what would be returned from either the 3-percent or the 5-percent tax. Of course you can approximate it.

Senator HASTINGS. What is your estimate of the national pay roll that would be affected by this bill?

Mr. GREEN. I have the figures here. This is as nearly as we can get to it.

Senator HASTINGS. Yes.

Mr. GREEN. The average number of gainful workers in 1933 was about 49,500,000. Of these an average of about 12,800,000 were unemployed, leaving a total of about 36,700,000 employed. Of the employed about 14,200,000 are estimated to be owners, operators, public servants, or self-employed and would be excluded from coverage by reason of occupation. If those 65 years of age and over are to be protected by old-age pensions, an additional 1,100,000 employees might be excluded by reason of age. If firms of five or less employees are, approximately seven, 100,000 might be eliminated thereby. Adjusting for these exclusions results in an estimated average of about 14,300,000 employees who might have been contributing to unemployment insurance during 1933 if the plan had been established at the beginning of the year. If the unemployed who had previously been employed in insurable employment were again reemployed therein, about 23,000,000 employees would then be covered.

The income that might have been expected from a tax or contribution of 2 percent of pay rolls (excluding individual earnings in excess of \$50 per week) would have approximated \$315,000,000 in 1933. A tax of 3 percent would have yielded about \$475,000,000, whereas a 5-percent tax would have resulted in a total income of almost \$790,000,000. Assuming continuance of the improvement in economic conditions, somewhat higher revenues could be expected in 1934, 1935, and 1936. And by the way, I might make this observation, that the Wagner-Lewis bill introduced at the last session of Congress provided for a 5-percent pay-roll tax.

In order to estimate the amounts of benefits that could be paid to unemployed individuals as a result of such a plan, it is necessary to revert to an estimate of what could have been paid had the plan been in operation for a number of years past. On the basis of such a study for the period 1922-33, it appears that 6 weeks of benefit (at a rate of 50 percent of average full-time earnings after an accumulated waiting period of 4 weeks) could probably be paid if a contribution of 2 percent were made, 10 weeks of benefit if a 3-percent contribution

were paid, and 22 weeks of benefit if a 5-percent tax was imposed. These figures are estimates, based upon the best figures available.

Senator KING. Is there any reliable data showing the number of employees in mass production, in factories, in mines and mills where the proprietors of those industries would be required to pay a tax? What I am trying to get at, it seems to me that you have over-estimated the number of employees who would come within the purview of the bill by assuming a larger number of employees in gainful occupations in those industries where the employers would be subject to the tax.

Mr. GREEN. Well, of course, I am not able to answer that, Senator. It would be a matter of determination. We would have to find that out from the figures as best we could. I presented those figures as the best obtainable at the present time.

Senator KING. There is just one other question. The amount which would be deducted from these corporations and the employers would, of course, pro tanto, or to some extent, diminish the taxes which they would pay to the Government. For instance, corporations today add, to my recollection, 14½ percent on their net income. Now if you should charge them 5 percent more or any percent more, that would necessarily reduce the tax which it had paid to the Federal Government.

Mr. GREEN. It would be 5 percent on their pay roll. It would not be quite the same as 5 percent on net earnings or 5 percent of the production. Three percent on the pay roll would be perhaps small as compared with the other tax.

Senator KING. Whatever the tax was, that of course would be subtracted from their net income, or added to the expenditures, rather.

Senator CLARK. They would include that as part of the operating expenses.

Mr. GREEN. My judgment is, as the Senator said, they would include that as a part of the operating expenses, just the same as they do the workmen's compensation insurance now.

Senator KING. But the effect, indirectly, would be to diminish their net return.

Mr. GREEN. I am not sure about that. I do not think so. I think their net returns would be pretty good, Senator.

Senator KING. I am not saying their net returns would not be good. They might be too great.

Mr. GREEN. I think they probably would be as great, because they would increase the cost of the manufactured products sufficient to cover the increase, to absorb this pay-roll tax.

Senator HASTINGS. Mr. Green, there is just one more question before you leave that subject. Under that plan, assuming this 5-percent levy had been made upon the pay roll and it brought in \$790,000,000, is that distributed only to persons who have worked a certain length of time?

Mr. GREEN. That would be paid to those who would be eligible under the unemployment insurance bill.

Senator HASTINGS. In order to make them eligible they would have to work a certain length of time?

Mr. GREEN. They would have to work a certain length of time and make certain payments. It is an insurance measure, don't you see.

Senator HASTINGS. It would not take care of anybody who had not been able to get employment?

Mr. GREEN. No, no; it would not take care of the unemployables of that group. We cannot delude ourselves into the belief that unemployment insurance is going to take care of our whole relief problem. We learn that from the experience of England, Germany, and other countries. That has all got to be supplemented by a very elaborate and comprehensive relief plan. It is intended to take care of the worker for a number of weeks of unemployment, to tide him over those number of weeks, when it is assumed that he will find new employment. If at the end of that time he is still out of work, then relief must come in.

Senator BLACK. It is exactly the difference, isn't it, between a health policy, which we understand usually covers a man about 6 months, but it never covers him if he is an invalid for life, and some other system? In other words, to get it clear, this unemployment insurance is not intended to stop unemployment at all, it is to take care of the casuals for that length of time?

Mr. GREEN. Yes; seasonal unemployment. If a man happens to get out of work, this is to tide him over while he is seeking employment, attempting to find employment.

Senator BLACK. While he is shifting from one job to another?

Mr. GREEN. Yes; we must not confuse this unemployment insurance with relief. We might have to collect the relief money, Senator, through the imposition of a tax such as you suggest.

Under no circumstances should conditions such as those contained in subsections (a), (b), (c), and (d) of title VI be given a place in any measure adopted. Such conditions are vague and unsound and would prevent effective operation of any plan which might become law.

I signed the report of the minority of the Advisory Council on Economic Security, on the question of the amount of the pay-roll tax which should be levied for the purpose of financing the unemployment insurance program.

By the way, I might explain, Senator, we had another test vote on the 3-percent tax and a majority of the committee favored the 3-percent tax and a minority favored the 4-percent or 5-percent pay-roll tax.

Senator HASTINGS. Does your testimony show the names of the persons?

Mr. GREEN. I put the names in the record.

Senator HASTINGS. I mean the names of the minority and the majority?

Mr. GREEN. I can give you that, but I do not think I have divided that in here.

The CHAIRMAN. Mr. Green, what was the vote on this last question?

Mr. GREEN. On the question of the 3-percent tax?

The CHAIRMAN. Yes.

Mr. GREEN. I have got it in the minutes but I do not think it is here at the moment.

The CHAIRMAN. Will you supply the record with that?

Mr. GREEN. Yes. We had several test votes. First, on the employer-employee contributions. The majority of the committee voted against employee contributions. A majority of the committee voted in favor of the 3-percent tax, and a minority of the committee voted for the higher taxes.

The CHAIRMAN. I think it would be very well to put in the record, in connection with your testimony here, these various votes that were taken by the advisory council, and how they voted.

Mr. GREEN. I will submit it if you wish it. If it will be helpful to the committee I would be glad to submit it. We spent days, days, and days on this.

The CHAIRMAN. I wish you would supply it so we can have it. Indicate what it is at the head of it so the issue will be stated clearly.

Mr. GREEN. I will be glad to do that.

(Mr. Green subsequently submitted the following statement).

The vote upon the adoption of the subsidy, or what is known as the "grant-in-aid unemployment measure", was 9 to 7 in favor. However, this vote was taken by a show of hands and not by a roll call. For this reason it is impossible to give the names of those who voted in the majority and those who voted in the minority. I regret it is impossible for me to give you any more definite information than this upon the vote taken as herein referred to.

Those who signed a minority report for higher pay-roll tax were: Paul Kellogg, Frank P. Graham, William Green, Helen Hall, Henry Ohl, Jr., George Harrison. Paul Schoenberg.

The standards which are possible under the 3-percent pay-roll tax are so totally inadequate that we should refuse to endorse them. The 3-percent tax is recommended on the understanding that it would establish a 4-week waiting period before payment of benefits began; second, that benefit for not more than 15 weeks at 50 percent of the normal wage (but in no case more than \$15) could be paid; third, that after those 15 weeks, except for long-time employees, nothing more could be paid.

To increase the benefits, I recommend that the tax on pay-rolls be increased to 5 percent. Unless we extend the time for which benefits run considerably beyond 15 weeks, we cannot hope to make benefits cover the time which experience has shown men and women seek work before they find it. The technical staff of the committee on economic security made calculations on the duration of unemployment from tables prepared by the committee's actuaries. The results showed that even in times of prosperity 54 percent of the unemployed wage earners would fall outside the period provided during which benefits could be paid under a 3-percent tax; 26 percent of these would find work within the long waiting period of 4 weeks, and 28 percent would be out of work more than 15 weeks. In times of depression or extended unemployment, as high as 80 percent of the unemployed wage earners would fall outside the benefit period, while in average times 60 percent would be outside.

Actual studies of the duration of unemployment bear out these statistical estimates. A study made by the Bureau of Labor Statistics covering unemployment in Philadelphia in April 1931, showed that the average person who was unemployed in that month had been out of work for 37 weeks. An unemployment survey in Buffalo, in November 1933, showed that in 1929, 19.3 percent of the unemployed studied had been out of work 20 weeks or more; in 1933, this percentage of men out of work 20 weeks or more had increased to 76.3 while 68.2 percent of the group had been out of work for over a year. In 1928, a field survey was made for the Senate Committee on Labor, under the direction of Dr. Isador Lubin. Even during a time as prosperous as 1928, 42 percent of those who had secured jobs and 55 percent of

those who had not, at the time they were interviewed, had been unemployed for more than 4 months.

I, therefore, recommend that the bill provide for a period of benefits longer than the 15 weeks made possible by the 3-percent tax. I see no reason why, in the richest country in the world, a worker who qualifies under our system and whose savings are undoubtedly exhausted, should find himself forced to depend upon public relief at the end of 14 or 15 weeks of unemployment compensation. This period of benefit payments is pitifully inadequate. If the bill is amended to provide for a 5-percent tax on pay rolls instead of the 3-percent tax now written into the bill, the benefit period could be extended to not less than 26 weeks in any one year. We should then be offering economic security to the wage earners of this country which would have real significance.

Senator WALSH. Does this bill provide benefits for the employees who may work only 1 or 2 days a week and for the rest of the week they would be unemployed? Under this bill they would be considered as being unemployed; would they?

Mr. GREEN. No.

Senator WALSH. Why are they not entitled to benefits?

Mr. GREEN. That will have to be worked out in the State unemployment insurance measure, so that part-time workers can be paid part-time benefits.

Senator WALSH. It is possible to keep a person employed at maybe 1 day a week and give him the benefit only when he is discharged?

Mr. GREEN. No. In a scientific unemployment insurance measure, a worker working a day a week is entitled to unemployment benefits. That plan will be worked out in detail in your State laws. I am merely setting up what are called "general standards" here. That is a detail that will be covered in State laws.

Senator WALSH. I suppose it would be included in the definition of unemployment?

Mr. GREEN. Yes.

These figures are taken from estimates made by the Committee on Economic Security, based on the experience of 1922-30. Even based on the experience of 1922-33, when a major depression is included, a 5-percent tax would permit 19 weeks benefit with a 2-week waiting period, at half the normal wages, up to \$15 per week.

I object particularly also to the unreasonably long waiting period of 4 weeks which is made necessary by the 3-percent tax. The British system provides for a waiting period of 6 days. That is a period sufficient for registration and any investigation which may be considered necessary before payment of benefits begin. Wage earners have at best very slender reserves of savings. A period of 4 weeks of waiting must mean only that those savings are exhausted before unemployment insurance begins. I see no reason why this should be. I recommend that such employment insurance measure as may be enacted into law by the Congress of the United States shall prescribe a waiting period not to exceed 1 week.

May I quote the conclusions reached by those members of the Advisory Council on Economic Security who signed the minority report on the amount of pay-roll tax provided by the bill, as it regards another test of the adequacy of the present bill? [Quoting:]

From another angle, the adequacy of the majority proposal was challenged, by offering tables prepared by the technical staff of the Committee on Economic Security. These compared the protection proposed under a 3-percent plan for the United States and that afforded throughout recent years by the standard benefits of the British system of unemployment insurance which has a combined 4½-percent basis. Earning \$2 a day or its equivalent, either American or British worker would lose \$208 in wages if out of work for 4 months. It was pointed out, if eligible, under the proposed Federal act the American worker would be assured a total of \$80 in unemployment compensation. The British worker, if single, would fare about as well; but if married, with 3 children, the family man would get \$130 in the same period; and if allowance were made for relative purchasing power, he would get \$156 against the American \$80. In the higher wage brackets, the American would come off favorably with the British as long as his compensation lasts, but in any case that is only part of the picture. The general run of American benefits would be cut short at 14 or 15 weeks, while the British standard benefits begin after 1 week's waiting period (against the 4 proposed for the United States of America) and run up to 26 weeks (against 15).

An employee with a long work record in America might qualify for half a year; in England, for a full year.

The British system of unemployment insurance has now been in effect for 24 years. I believe that their experience should be used by us in every way possible. If England has been able to maintain all through the post-war depression a coverage such as it has maintained, and which it is even now liberalizing, surely the United States cannot be content with the meager coverage proposed by the present bill. Since no benefits are to be paid under the unemployment-insurance system until 1938, by which time recovery is taken for granted, it would seem that we cannot offer to our wage earners less, in those times of recovery, than England has been able to maintain during depression.

Third. I recommend that neither company reserves nor industry reserves shall be permitted, but that the bill shall provide for State-pooled funds only. In regard to the danger of individual company or industry reserves I cannot be too emphatic. Such reserves will be of benefit only to those employers whose risks are low, and will be taken advantage of only by those employers. Plant, company, or industry unemployment reserves are not unemployment insurance. I am of the opinion that the States should be given a certain freedom in the choice of the plan which they adopt, but I am of the conviction that there must be limits of choice fixed by the Federal Government, and that those limits of choice fixed by the Federal Government must not include plant or industry reserves. We have seen company reserves tried as a method of unemployment insurance. There is no reason why experimentation should go so far as to try again something which has not, and of its very nature cannot prove satisfactory. This plan lacks the first and most important principle of insurance, namely, the distribution of risk and burden. The withdrawal of the "better" employers and industries from the State-pooled funds would seriously weaken the State funds and endanger the employees who are working for the companies left in the pool. There is a serious menace to organized labor in the individual company reserve. Employers who are strongly opposed to the free and independent organization of trade unions will be able to use their company or industry reserve as a weapon in their fight against unionization of their employees. They might offer slightly higher benefits, or pay benefits for a little longer period, upon the understanding that their employees remained unorganized; they could use their unemployment reserves around which

to build a company union, and thus prevent the growth of bona fide trade unions. Speaking for the American Federation of Labor and the millions of workers who are members of that Federation, I protest most emphatically against any provision which permits a State to set up unemployment reserves on the basis of company or of industry.

Fourth. I further recommend that any unemployment insurance law adopted shall provide that benefits shall in no case be less than 50 percent of the normal wage, with payments up to at least \$15 per week. I do not consider a maximum benefit of \$15 a week satisfactory. I should much prefer a maximum of \$25 per week, and I should like also to see a minimum fixed below which unemployment benefits could not go. But I realize that in an initial unemployment insurance law we cannot have all of the conditions we shall ultimately expect and demand in such a law. It is more important, in the beginning, that the period of the payment of benefits be extended and that the waiting period be cut down to 1 week, than that weekly payments shall be increased to the amount we shall reach in the future. That is a fair proposition, 50 percent of the wages earned. For instance in the South, where climatic conditions are different, where the wages are lower, the amount of weekly benefits would be less. In New York State, in Massachusetts, Ohio, and other States, where wages are higher, 50 percent of their wages would be larger, and it would be paid in accordance with the wage and economic standards fixed in each community and each locality. There could be no serious objection to that. You understand it is not intended that the same rate shall be paid uniformly all over the country, but 50 percent of the wages earned.

The question of a reinsurance fund has been given much attention in the discussions of the past few months.

Senator CONNALLY. Mr. Green, let me ask you, if the employee is not going to make any contribution at all to this and it comes out of the consumers and the Treasury, why should there be a graduation or a difference in different places? Why should we not standardize it?

Mr. GREEN. Because it is not in accordance with the scientific principles established in any unemployment insurance measure.

Senator CONNALLY. Do not most of them require contributions?

Mr. GREEN. Not all of them.

Senator CONNALLY. Most of them?

Mr. GREEN. Yes; I understand they do, but that isn't a good reason why we in America should be required to do that.

Senator CONNALLY. Except on the theory that the employee is not going to contribute anything. If a man in one locality is going to get a gift from the Government or a gift from the consuming people, why should he get a higher gift than another man in another location?

Mr. GREEN. He isn't.

Senator CONNALLY. You said in the South you are going to pay a less rate than you are going to pay to a man who is doing the same work in New York, when that man in New York does not contribute anything more than the man in the South.

Mr. GREEN. They get 50 percent of the wages. That is what I was telling you. I think that is fair. I do not imagine that the employer in the South will care to pay the same weekly benefits, unemployment-insurance benefits, as they would pay in New York.

Senator CONNALLY. If the employee was contributing something there would be a basis to your position, but he is not going to contribute anything, why should the Government pay one employee in one part of the country a different rate than it pays to another employee in another part of the country?

Mr. GREEN. That is under the same theory that they have higher wages in New York than they have in the South.

Senator CONNALLY. This is not a wage, this is a gratuity.

Mr. GREEN. It is based on economic facts and principles.

Senator CONNALLY. I would like to know the basis of your views.

Mr. GREEN. We have protested against that very thing, we have protested against the difference in wages and standards.

Senator WALSH. The employer in the North pays a higher tax than the employer in the South. That is one answer, isn't it?

Mr. GREEN. Yes, he would pay a higher tax.

Senator CONNALLY. If he does pay a higher tax, he makes more money than the man in the South.

Mr. GREEN. Five percent of his pay roll would probably be greater. We do not want to get into that.

Senator HASTINGS. You mean he pays a higher tax?

Senator WALSH. He pays 3 percent of his pay roll. His pay roll is higher because he pays higher wages.

Mr. GREEN. His pay roll is heavier, therefore the 5 percent would be greater.

The question of a reinsurance fund has been given much attention in the discussions of the past few months. Different industries and States are subject to varying degrees of unemployment. In November 1934, the building trades, for example, reported 69.6 percent of unemployment; the service trades, 28.9 percent; mining, 35.9 percent; manufacturing, 29.8 percent; and trade, 19.9 percent; with agriculture, 3.7 percent. This wide divergence in the amount of unemployment in different industries is one of the more difficult problems which must be met in any system of unemployment insurance. Some States, because of the nature of their industry, will carry much heavier burdens than others. Whether a Federal reinsurance fund is the solution of these problems, I cannot say. I recommend, however, that an investigation and study be made of reinsurance, in an attempt to determine whether this is the method by which to arrive at the creation of a broad, guaranteed, and well-administered unemployment-insurance system.

OLD-AGE SECURITY

There are some 10 million people 60 years of age and over, the large portion of whom is faced with the worst possible hazard of modern life—bleak hopelessness and indignity of dependency which comes abruptly after one has contributed to the utmost of one's resources as an active participant in our economic system. Any one of us, if faced with the prospect of old age without resources and with no means of existence other than complete dependency on others, would readily admit poverty, privation, and hunger to be a better lot.

Old-age security is a problem which goes to the very roots of social, economic, and moral factors which are fundamental to human existence. How can this problem be met?

For some years, there has been gradually emerging in America a concept of old-age security which was destined to become an integral part of our national life. Much of the progress made in the form of State legislation has been due to the unrelenting support of the program in various States by organized labor.

The existing State systems, few and inadequate though they are, have provided us with first-hand experience in handling the most fundamental phases of the problem. But none of these experiences have given any evidence that it is possible to solve the problem through State administration unaided by the Federal Government. We have learned from experience, in recent years especially, that only a Nation-wide plan can cope with the problem of old-age security. In approaching such a Nation-wide plan Congress must take stock and measure the scope of the problem with which it is to deal.

In order to appreciate fully the implications of this problem, we must consider the significance of old-age security in the prosperous years preceding the depression. In surveying the status of persons 65 years old and over in 1927, on a sample of about 14,000 cases in four Eastern States, the National Civic Federation has given us fairly reliable indications of indigency then prevailing among the aged. On the basis of those ratios, we find that in a prosperous year, about 30 percent of the entire group, or about 2,000,000 persons, owned no property whatever. About 40 percent, or about 6,600,000, had no income from work or business, and some 17 percent, or about 1,000,000 had neither property nor income.

About 25 percent of males and about 14 percent of females were totally unable to work; 30 percent of males and 46 percent of females were able to do light work only. A large portion of the group were afflicted by invalidity or chronic illness. About 26 percent of the group were either single or had no children or other relatives who could render aid. About 1.3 percent were supported by public or private charity and another 60 percent received no aid at all.

This gives us a rough picture of the situation in a year of prosperity. A great deal more darkness and misery had entered into this picture during the depression years.

It has been estimated that out of the total of 6,500,000 some 2,700,000 persons of 65 and over were supported wholly or partly by others in 1930. There has been unquestionably a tremendous increase in the numbers of aged who must rely on support after 5 years of depression which have rendered bankrupt those who have previously carried the burden of support. The aged have undoubtedly constituted a very important portion of the 4½ million families now on relief rolls in the United States. They comprised an even more important portion of the one-half million single persons on relief.

The problem of old-age security penetrates into every phase of our national life. It affects closely every class and group of our population.

The agricultural population generally has enjoyed greater stability and greater security than other groups. The family unit has been basic in the agricultural society.

Until recently, the American farm family contained on the average more than two generations. Those attached to the family depended upon it for their economic welfare. This traditional family relationship is now rapidly becoming disrupted. The patriarchal agricultural

family is disappearing and we witness the exodus of the young from agricultural communities. At the same time, the older agricultural worker who remained a producer much longer than the industrial worker of the same age has lost much ground as the result of recent developments in agricultural industrialization and mechanization. It is safe to say that the problem of old age among the farm population is more acute in the United States than elsewhere.

Far more acute, however, is the situation of the aged in the urban centers. Here the older group suffers not only from the inherent conditions of old age and unemployment but also from all those additional elements injected into the situation by industrial urbanization. In the slums and tenements of our cities, the aged poor are completing their span of life as a total social liability. The high rents in urban centers make difficult and burdensome the support of the aged by their children and relatives who earn their livelihood in mills and factories. Old-age security of wage earners has been threatened more than that of any other economic group.

Our industrial population has been increasing at a rapid rate. In fact, while our total population has manifested a declining rate of growth its portion comprised of wage earners has increased rapidly. Our urban and rural nonfarm population in 1930, of 15 years of age and over stood at 67,400,000. Of these 38,300,000 were attached to the industry. From this it is estimated that about 41,000,000 wage earners will belong to the wage-earning class in 1935 and about 44,000,000 will be in this group in 1940.

Economic difficulties which confront the aged belonging to this group are rooted largely in the wage system as it now exists. The present low standard of living of the worker's family makes it impossible for the wage-earning class to assure old-age security to its own members.

Parallel to this has been technological development in the industry. The incidence of technological unemployment has fallen heavily upon the older wage earner. Older workers were displaced by machines at a more rapid rate.

The mass system of industrial production has still further contributed to old-age insecurity. Under the mass process of production there came into existence new requirements for minimum intensity and speed of effort. There has also appeared a tendency to make this energetic requirement uniform for the entire plant. In the presence of heavy unemployment, each job has been placed into a highly competitive position. The older worker has been placed at a heavy disadvantage. There has appeared a tendency to displace him long before his productive capacity has disappeared or even before it has been appreciably impaired.

The minimum requirement of effort has ceased to bear direct relation to the physical conditions of production and has been entirely at the discretion of the employer, who is governed primarily by the profit motive. The interests of the worker have been given little or no consideration in establishing requirements for speed and effort in the mass-production industries. Thus, while the tendency has been to place superannuation at lower age levels, this technical development has been accentuated by such factors as individual judgments and economic pressures of the management.

The distribution of old-age disability and unemployment is not uniform in the various occupational classifications. According to Dublin, at the age of 20, the life expectation of the upper professional classes is about 50 years. At the same age, the life expectation of wageworkers, as reflected by industrial-insurance contracts, is only 42 years. The productive wageworker does not retain the advantage of long occupational life span enjoyed by those in the professions, business, finance, public service, arts, and sciences. Thus, we find that the wage-earning portion of the population is gradually assuming greater liability for the old-age group.

The wage earner is also without the advantage of controlling to any substantial degree his occupational status. He finds practically no employment opportunities in railroads and public utilities at the age of 45. Equally limited are the employment opportunities with the Federal, State, or municipal agencies for those who have passed this mark. His prospects for employment in manufacturing establishments are small, and he has been almost completely excluded from the pay rolls of the mass-production industries.

One study covering concerns which employ over 3,000,000 workers disclosed that 50 percent of the establishments employing over 60 percent of the workers had definitely prescribed age limits. Only in a few exceptional instances were those limits found to exceed the age of 45. Many of these limits were set at 40 and for certain occupations as low as 35. It is a fact of ominous significance that a man of 45—in the prime of life—stands face to face with superannuation and economic dependency.

No alternative of long-term validity can be found which would serve the purpose of the old-age pensions. The monthly per capita expenditure in the poorhouses has proved to be far higher than an integrated scheme of Nation-wide old-age pensions. The per capita cost of poorhouse or almshouse support is estimated to be twice as high as that of a pension plan.

It has been shown that the cost of poverty in old age has augmented at a tremendous rate during the depression years. In the State of Connecticut in only 2 years of depression (1931–32), there was an increase of 32.2 percent in its almshouse population. The old men and women who were indigent have been cared for entirely through wasteful machinery of the local welfare agencies, if cared for at all. Only during the recent months have they been given support from Federal relief sources.

As a significant contrast to this, we find that in those States where pension plans were started during the depression years, the increase in almshouse and poorhouse population has been relatively small. In some instances, there has been an actual decrease in the actual number of inmates over a given age limit.

The pension plan has been proved to be not only vastly better than any form of poorhouse, but in fact that only permanent plan with which the problem can be met.

OLD AGE ASSISTANCE

The existing State old-age assistance laws are either not functioning at all or functioning on such a restricted scale as to invalidate their effectiveness to a very large degree.

There is a dire need for assistance which is firmly founded upon the principle that adequate assistance will be made available to those truly in need. This can be furnished only through Federal aid. A plan initiated and supervised by the Federal Government is essential if it is to be of an enduring and effective character.

In supporting the proposed plan, I wish to make the following recommendations:

1. Total monthly pensions should be not less than \$50 a month except in cases of persons receiving income or assistance from other sources.

Under the present proposal, the Federal contributions are contemplated to be not more than \$15 a month which would make, together with the State contribution, a maximum pension of \$30 a month to any one individual. There is no minimum established in the bill with the exception of the broad statement that a "reasonable subsistence" compatible with decency and health should be provided under the plan. I submit that this safeguard is utterly inadequate to furnish the beneficiary with the funds necessary for his maintenance. In some States, the payments have been as low as \$5 a month and it will undoubtedly be maintained in these instances that this assistance is sufficient to provide a reasonable subsistence compatible with decency and health. Inasmuch as a term "reasonable subsistence" is extremely difficult of interpretation, I deem it essential that the monthly payment of \$50 should be made the required minimum under the plan. We are building upon a new foundation of social justice and we must remain true to our purpose of providing the aged with real economic security. As I see the proposal, it must be designed to get at the root of the problem. Economic requirements of our day will not admit of half-measures.

2. Age limit should be reduced to 60.

In view of the developments I have already set forth, it is recommended that the age limit for pensions be reduced to 60.

Under the present proposal, eligibility is limited to those 70 years of age or older and this limit is reduced to 65 after January 1, 1940. There is no justification, either social or economic, for this unduly narrowed basis of application of the pension system emasculating the effects of the plan.

Vigorous objections will undoubtedly be made to this proposal on the ground that lowering the age limit would place upon the scheme a prohibitive financial burden. Careful examination of facts will show that such objections are based on a misapprehension. This misapprehension is due to the rather general impression that by lowering the age limit by 5 years, we would include a group which contains a relatively larger number of claimants to pensions.

In reality, the relative number of claimants will be much smaller in the age group between 60 and 65 than in the older groups. This, of course, is due to the fact that the degree of dependency is much lower in the younger age class. The rate of dependency is much higher after 65 and shows an even more abrupt rise after 70.

I urgently recommend that the plan be initiated with a 65-year age limit, such limit to be reduced to 60 by 1940, at the end of the 5-year trial period.

3. The cost of administration of the plan should be kept as low as possible.

During the initial 5-year period, the cost of administration will undoubtedly be in excess of normal, due to the many special admin-

istrative requirements inherent in the problem of getting such a plan under way. By the end of this period, the administrative procedure should be sufficiently well crystallized to permit more economic administration than contemplated in the bill.

The administrative cost of the Federal Emergency Relief Administration has been approximately 10 percent of the total amount expended under the various Federal relief measures. Relief administration during this period has functioned strictly on an emergency basis. Wide fluctuations in the numbers of persons relieved and the changes in administrative machinery have called for excessive requirements for administrative funds. The measure under our consideration is basically not an emergency measure but one which will become a permanent feature of our social program. It is extremely doubtful that the real requirements of the permanent administrative organization will be in excess of 5 percent of the total amount expended after the initial period.

There is a very real need for keeping the cost of administration at the lowest possible minimum compatible with efficient administration. Much of the success of the plan will depend on this. Greater centralization in record keeping and in administrative functions will reduce surplus costs and make for substantial economies in administration of the plan.

In view of this, I recommend that following the initial 5-year period, Federal allotments for the administration of each State loan should not be in excess of $2\frac{1}{2}$ percent expended in each quarter.

NATIONAL SYSTEM OF CONTRIBUTORY OLD-AGE INSURANCE

Prompt adoption of the old-age assistance plan is essential if the program is to get under way in the immediate future. Effective operation of contributory old-age insurance cannot begin for at least another generation. But a sound foundation must be laid now for an insurance system which would eventually become self-liquidating. Concurrent operation of the two plans will enable us through experiment to perfect in time an insurance system which would fully meet the requirements of old-age security.

The extensive experience of other countries lends support to the compulsory contributory old-age insurance system envisaged in the proposed plan. This type of old-age insurance has been successfully operated in Germany since 1889, in France since 1910, and in the majority of European nations since the World War. A similar plan was adopted in Great Britain in 1927 and will gradually supersede the older British pension plan.

In the light of this experience of others we approach the initiation of our own scheme mindful of the special circumstances and conditions which will surround its development. We must look upon this initial stage in the development of our national old age insurance system as one of admitted experimentation.

The proposed bill provides for a fund to be set up in the Treasury, managed and invested by the Secretary of the Treasury. This fund is to be supplied by a tax upon pay rolls which is to apply on the sliding scale from one percent on January 1, 1937, to 5 percent on January 1, 1957.

No justification has been advanced for this over-modest beginning and this long-deferred increase in the rate of pay-roll tax other than "that no large immediate burden should be put upon industry."

It is recommended—and in the case of old-age insurance I fully support the recommendation—that the tax should be borne equally by the employer and the worker. This provision cuts in half the “immediate burden” which the industry is expected to assume. In view of this and also of the imperative need for bringing the old-age insurance plan into operation in the shortest possible time, I recommend that the proposal be changed to provide for a payment of a 3-percent tax on the pay rolls as of January 1, 1937; 4 percent as of January 1, 1942; and 5 percent as of January 1, 1947. The division of this tax between employers and the workers is, of course, to be preserved.

It is proposed in the bill that an annuity equal to 15 percent of the average monthly contributory wage be paid to workers retiring in the sixth year of the system's operation. This pension percentage is gradually increased until 20 years after the beginning of operation of the system the percentage may reach a maximum of 40.

In this connection I wish to recommend that a larger relative pension be made available to the lower-paid worker. One existing proposal bearing on this point suggests that while the average initial paid is 15 percent, the actual pension be computed on the basis of the following formula: 18 percent of the first \$50 of contributory wage; 13 percent of the second \$50 of contributory wage; 10 percent of the third \$50 of contributory wage. The same formula is to be applied to the pension payable in succeeding years.

While this will yield a somewhat higher relative pension for the lower paid worker, I submit that this end will be more effectively attained by dividing the recipients of the pension into five wage groups to which the pension could be adjusted. In this way the problem would be given a far more realistic approach resulting in more equitable allocation of compensation.

Finally, I wish to recommend that an employee be made eligible to receive pensions under the following conditions; when (1) he is 60 years old; (2) taxes have been paid in his behalf for at least 200 weeks over a 5-year period, commencing before he is 55; and (3) he is no longer gainfully employed by another.

DEPENDENT CHILDREN, CRIPPLED CHILDREN, AND CHILD WELFARE SERVICES

We have to consider, under the bill which is before us, appropriations for dependent children, crippled children, and child-welfare services. These problems have been separately classified, but the problem of the children, the future citizens of our country, is a problem which might well be given greater emphasis than all others that confront us. It is estimated that among those now on relief, there are approximately 8,000,000 children. On the basis of our total unemployment, it is reasonable to assume that no less than 10,000,000 children are in real need of assistance. Those in homes where there is no wage earner to support them must receive direct aid, or spend their early life under conditions that will tend to handicap them permanently. Those funds will mean much to State agencies which are already established and are making valiant efforts to carry on their all-important work despite totally inadequate resources. It is estimated that there are from 3 to 5 million children in the United States who are physically handicapped. Very excellent work has been done in this field of rehabilitation in certain cases and the progress which has been made toward fitting incapacitated adults

so that they may take their places in industry and commerce should show to all of us the possibilities which may be expected when the problem of crippled children is squarely met.

TITLE VII—MATERNAL AND CHILD HEALTH

The extreme need of cooperation by the Federal Government in "extending and strengthening its services for the health of mothers and children" is strikingly presented in those figures made available by the Committee on Economic Security showing the decreases in funds for State maternal and child-health work between 1928 and 1934. It is true that Delaware and Pennsylvania have made substantial substantial increases. Slight increases have been registered by Massachusetts, Maine, and New Hampshire, but all other States show decreases; many of them running well in excess of 50 percent and some of them in excess of 90 percent. In 1934, nine States report no funds available for this vital work. These reductions and eliminations of State funds have been made just at the time mothers have been most in need of financial assistance. When we consider that between 1928 and 1934, unemployment has increased from 2,000,000 to more than 11,000,000; that wages have been reduced from \$15,000,000,000 in 1929 to \$6,000,000,000 in 1933 (source: the National Income 1933, Department of Commerce) and that the average worker's income in 1934 was \$1,099 (source: the American Federation of Labor) it must be recognized that the need for financial assistance to mothers is greater than ever before.

When we look at the records of other countries in this field, it must be admitted that there should be no further delay in making certain Federal appropriations. "Payment of maternity allowances in Australia dates back to October 1912. The allowance was £5 (\$24.33) for each viable child, whether or not it was born alive, provided the mother was a resident of Australia and neither an aboriginal nor an Asiatic. Originally the allowance might be claimed regardless of the parents' income, but the emergency act of 1931 restricted it to cases in which the income of the parents for the 12 months preceding the birth did not exceed £260 (\$1,265.29) and also reduced the amount to £4 (\$19.47)." (From Monthly Labor Review of the United States Bureau of Labor Statistics, August 1933.)

"The earliest German legislation concerned with maternity protection was enacted in 1878, when 3 months' leave after confinement was made compulsory in certain industries. The sickness insurance act of 1883 provided for the payment of maternity benefits at the same rate as those for ordinary illness." (From the Encyclopedia of the Social Sciences, vol. 10.) "In France, maternity benefits are paid to women without means, whether or not they are regularly employed, for at least 12 weeks after childbirth. The funds are supplied jointly by the state, departments, and communes." (From the Encyclopedia of the Social Sciences, vol. 10.)

It is significant that where assistance has been most thoroughly developed, mortality rates have been the furthest reduced. "A survey of the European countries in which mortality rates are very low—the Scandinavian countries, Holland, and Italy—shows that these states have the fullest and most coordinated provisions for all types of assistance." (From the Encyclopedia of the Social Sciences, vol. 10.) We find that figures from our country appear in a very unfavorable light when compared with those of certain other countries. In

1929, maternal mortality per 10,000 live births in the Netherlands was 33, while in the United States it was 70. For Switzerland, we find a record of 46 and for England and Wales, 43.

The drastic reduction in State funds available has already been mentioned. From these same figures, we find that on November 15, 1934, 109,036 families were receiving mother's aid in the United States. On the basis of Federal Emergency Relief disbursements for the month of November, it may be assumed that nearly 5,000,000 families were involved. On the basis of the American Federation of Labor estimate of unemployment, we know that twice this number, or 10,000,000 families may well be in need at this time, and certainly that portion of them in need of mother's aid will far exceed 109,000.

In 1933, 12,000 mothers died from causes assigned to pregnancy and childbirth.

In view of the conditions outlined above, it is urged that direct steps be taken in this cause at the earliest possible date. It might be mentioned in this connection that although birth registrations may be the most practical basis for allocating funds to the different States, nevertheless, if funds are allocated in amounts directly proportional to live births, it may well be that those States which are most in need of funds will be denied the much needed assistance.

APPROPRIATIONS FOR PUBLIC HEALTH

The annual appropriation of \$10,000,000 will reach those who are suffering through the ravages of ill health and debility through two channels. Appropriations to the several States will be now available "for the purpose of developing State health services" taking into consideration the needs of local and county programs. These funds will be of direct assistance to those who have been rendered unable to carry the burden of needed medical assistance.

Those funds which are made available to the Bureau of the Public Health Service "for further investigation of diseases and problems of sanitation and related matters" will make possible further investigations on the basis of which much unnecessary suffering and death will be eliminated and the economic as well as social losses through ill health will be substantially decreased.

It is clearly our responsibility to reduce human suffering to a minimum and to turn every effort to the establishment of general standards of health which will eliminate, just as far as possible, all cases where men, women, or children would be required to live their lives and meet their responsibilities under the handicap of ill health, crippled bodies, or impaired mentalities.

The program before us is a tremendous one, and if for the moment we fail to take into consideration its sociological import, the economic justification alone clearly shows that the appropriation proposed will be many times paid back if the procedure suggested meets with any degree of success.

An estimate by the committee on the costs of medical care places those economic losses due to sickness at no less than \$250,000,000 annually. In view of the fact that a large part of this illness is preventable by the application of known and tried medical methods, the economic argument for a larger expenditure for preventive medicine is compelling. The economic losses resulting from preventable illness are, furthermore, exceeded by the losses from premature deaths. Louis Dublin (of the Metropolitan Life Insurance Co.), basing his calculation on the costs of rearing a child and on future earning power, has estimated that the total capital value of the lives that can be saved annually through the application of

preventive medicine is approximately \$3,500,000,000. (From *Encyclopaedia of the Social Sciences*, vol. 10, p. 294.)

In 1929, expenditures for medical care in the United States reached a figure of \$3,656,000,000. (From *ibid.*, p. 294.) Since that time, our national income has been cut approximately in half. Although we have no basis nor the assumption that these expenditures filled the needs of the people of this country, it is obvious that not even this amount of care is possible at the present time without throwing an unbearable cost on drastically curtailed incomes.

Furthermore, when it is noted that the people of the United States in 1929 spent \$360,000,000 "on patent medicines of dubious value" and \$165,000,000 on "home remedies which also are deplorable from a medical standpoint", there can be no question but that those limited funds which are available can be expended much more beneficially where the Federal Government as well as State and local agencies are able to develop public-health programs.

Looking at the cost of medical care from another angle, we see the burden which is imposed on families in the lower income group for such medical care as they are able to obtain for themselves. "Metropolitan families earning between \$1,200 and \$2,000 spent on the average of \$63.75 for medical attention for the 12 months of the survey, while those families with earnings of \$10,000 and over spent \$270.34 or more than four times as much." (From *The Cost of Medical Care*, published by the Metropolitan Life Insurance Co.) Furthermore, despite the fact that the low-income families were able to spend only one-quarter as much as were those receiving earnings in excess of \$10,000 per year, these families receiving less than \$2,000 annually spent in proportion twice as much for medical care as did those receiving in excess of \$10,000—3.6 percent of annual income as compared with 1.8 percent of annual income. (From *ibid.*)

When we consider the drastic reductions which have been made in weekly earnings, we must recognize that these families are precluded from any expenditure for medical care unless they sacrifice certain necessities which may mean additional need in the near future.

Now on page 31 of the bill, after subsection (6), we recommend the following:

(7) The State has accepted the provisions of the act of June 6, 1933 (U. S. C., title 29, sec. 49 (c); 48 Stat. 113).

(8) Payment of all compensation is made and/or is to be made through the public employment offices in such State, and commences under such State law 2 years after contributions are first made under such law.

(9) The State agency of such State, to safeguard the money paid as contributions and to assist in maintaining the stability of industry and employment, deposits all such money, or causes it to be deposited, immediately upon its being paid as contributions, in the unemployment trust fund, or in a bank or banks designated as agents of such trust fund to be held as part of such trust fund, in accordance with section 604 of this act.

(10) None of the money requisitioned by such State agency, in accordance with section 604 of this act, has been used for any purpose except the payment of compensation.

(11) Compensation is not denied in such State to otherwise eligible employees for refusing to accept new work under any of the following conditions: (a) If the position offered is vacant due directly to a strike, lockout, or other labor disputes; (b) if the wages, hours, and other conditions of the work offered are substantially less favorable to the employee than those prevailing for similar work in the locality; (c) if acceptance of employment would either require the employee to join a company union or would interfere with his joining or retaining membership in any bona fide labor organization.

(12) The State law includes provisions which permit modification thereof at the will of the legislature or which prevent the creation of vested rights against modification or repeal of such law at any time.

(13) That no contributions for the payment of premiums or the raising of this fund for unemployment compensation is required of employees.

(14) That no more than 1 week of waiting days from date of loss of job before his days of unemployment begin to count.

(15) That said State laws permit unemployment compensation to be paid consecutively for 26 weeks, provided the unemployed is without a job and has not declined the offer of a job during said time.

(16) That the unemployed during said 26 weeks or the portion thereof he is without a job shall receive 50 percentum of his normal wages with a maximum of \$15 a week.

(b) Payment of any installment to a State to which an allotment has been made shall be withheld if the Board reverses the previous finding made by it under this section, and notifies the Secretary of the Treasury and the treasurer of the affected State of such reversal—continuing the bill on page 32.

Senator HASTINGS. Mr. Green, you stated that your estimate of the pay roll was just approximate. I am surprised to find in your figures that it amounts \$15,800,000,000, and that produced the tax that you mentioned. Are you quite certain that that is somewhere nearly correct? I should suppose it was at least twice that.

Mr. GREEN. I gave you the figures as to what it would be on 1 percent, 2 percent, or 3 percent.

Senator HASTINGS. That is based upon a pay roll of \$15,800,000,000. I am surprised to find it is as low as that.

Mr. GREEN. A tax on pay roll, Senator, is not like a tax on gross earnings or gross business.

Senator HASTINGS. I appreciate that. If you are reasonably certain that your figures are correct, that is all right.

Mr. GREEN. I am reasonably certain that my figures are correct, although I will have them checked up.

Senator HASTINGS. If you find there is very much difference I wish you would put the correction in the record.

Mr. GREEN. I will be glad to do that.

I want to emphasize this fact, in conclusion, Senator: Unemployment insurance is just what the term implies. It is insurance against unemployment. It provides for the payment, out of funds collected, of so many weeks' benefits in case the worker is unemployed. It cannot be accepted as being sufficient and adequate to meet a severe unemployment situation. We will have to consider it as a measure that is intended to operate during normal periods when employment is on a normal basis. It is intended to tide the worker over during temporary periods of unemployment. We must always keep in mind that an unemployment-insurance plan must be supplemented by a substantial relief plan, because you cannot take care of it through unemployment insurance.

Senator WALSH. Mr. Green, in trying to study precedents looking toward the creation of unemployment-insurance benefits in this country, have you observed this difficulty, that in foreign countries the labor legislation is uniform and applies to all the citizens and that in this country the labor legislation is different in every State; the rate of wages paid is different, the hours of labor are different, the conditions so far as protection for safety and sanitation are concerned, are different, therefore is it not difficult to establish or fix up a plan that is based upon the European system in this country?

Mr. GREEN. Yes; we have 48 sovereignties here, whereas they deal with 1 sovereignty.

Senator WALSH. And for that reason at least serious consideration should be given to allowing each State a good deal of latitude in working out the problem for itself?

Mr. GREEN. That is what I had in mind, that we should establish as great a uniformity as possible. That is the reason I favor the subsidy plan, because it provides uniformity in the levy of the tax, it gives the Federal Government an opportunity to establish general standards which must be established in all State laws. One is the waiting period. I think that ought to be the same in every State. Say 50 percent of the earnings, that ought to be uniform. The amount of weeks they receive benefits ought to be as near uniform as possible. Outside of that we ought to let the States have the widest latitude.

Senator WALSH. As to the amounts to be paid and the benefits to be granted, each State ought to determine what it can afford, in view of the assistance, the cooperation, or the aid given it by the Federal Government. Of course that same principle applies to old age.

Mr. GREEN. We have learned a lot as the result of our experiments in the enactment of workmen's compensation legislation, because we have different laws in most every State, and there are some 4 or 5 States that have no workmen's compensation law at the present time. Now the standards are different, but in this unemployment situation, as I said, that is a national question. It appears to me if the Federal Government is to subsidize the State then it ought to possess the power to say the State must meet certain standards in order to get this money. That is fair and just.

Senator HASTINGS. Mr. Green, what would you think of the Federal Government agreeing to contribute a certain sum of money, to be fixed by the Congress, upon condition that the States should enact certain laws of a certain standard and should therefore be entitled to draw down certain portions of this fund, leaving it entirely to the State to meet its share of whatever Congress decided. Your relief rolls are based upon 2 to 1 generally. They try to make it that. The States contribute \$2 for each \$1 contributed by the Federal Government. Suppose in this insurance the Federal Government should agree, out of this general fund, to contribute so many millions of dollars, distributed according to the population, and on condition that any State, before receiving it, should pay to its employees at least \$2 for ever dollar paid by the Federal Government, leaving it to the State to tax, to levy its own tax, to get its own money, and make our own contribution out of the general fund. Have you given any consideration to the simplicity of any such plan as that?

Mr. GREEN. That is practically the principle embodied in the subsidy plan. You understand this 5-percent tax will not be sufficient. The State will have to levy a tax through which it will supplement the amount that the Federal Government will pay. It is practically the same as you have outlined there now.

Senator BLACK. Just like the Federal highway plan?

Mr. GREEN. Just like the Federal highway plan. The Federal engineers stipulate the character of curves, and require States to comply with certain standards, before they get the money.

The CHAIRMAN. The committee is adjourned and will meet in executive session at 10 o'clock tomorrow. This hearing will be resumed on Wednesday morning.

(Whereupon the hearing was adjourned.)

ECONOMIC SECURITY ACT

HEARINGS

BEFORE

THE COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-FOURTH CONGRESS

FIRST SESSION

ON

S. 1130

A BILL TO ALLEVIATE THE HAZARDS OF OLD AGE,
UNEMPLOYMENT, ILLNESS, AND DEPENDENCY,
TO ESTABLISH A SOCIAL INSURANCE BOARD
IN THE DEPARTMENT OF LABOR, TO
RAISE REVENUE, AND FOR
OTHER PURPOSES

PART 4

JANUARY 30 AND 31, 1935



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ECONOMIC SECURITY ACT

WEDNESDAY, JANUARY 30, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to call, at 10:10 a. m., in the Finance Committee Room, Senate Office Building, Senator Pat Harrison, chairman, presiding.

Present: Senators Harrison (chairman), King, Barkley, Gore, Lonergan, Black, Gerry, Guffey, Couzens, La Follette, Metcalf, and Capper.

The CHAIRMAN. The committee will come to order.

STATEMENT OF EDWIN E. WITTE, EXECUTIVE DIRECTOR, PRESIDENT'S COMMITTEE ON ECONOMIC SECURITY—Continued

The CHAIRMAN. Mr. Witte, I do not recall just what phase of this bill you were discussing when you appeared here last. I want to ask you, if it meets with the approval of the committee, before you leave the stand to take this bill up from the beginning and succinctly summarize each phase of it as to just what it is.

Mr. WITTE. That is what I had intended to do.

The CHAIRMAN. All right, you may proceed.

Mr. WITTE. I have not gotten beyond the first subject dealt with in this bill, the subject of old-age security, although I think the committee has practically completed its questioning of me on that subject.

On the subject of old-age security there are three distinct measures proposed in this bill. Title I is the appropriation for old-age assistance—Federal grants-in-aid to the States, to meet a part of the cost of noncontributory pensions to old people who are without adequate means of support. There is an appropriation of \$50,000,000 in the first year, and \$125,000,000 in subsequent years. This appropriation will have to be increased in the course of the years and will grow very large unless at the same time a contributory old-age annuity system is started. On the estimates of the staff, which are conservative, that cost, unless there is a contributory old-age annuity system, will be in excess of \$800,000,000 by 1980.

The CHAIRMAN. So what you are trying to do is to put this tax in so it will absorb this direct appropriation by the Federal Government in time, or at least reduce it?

Mr. WITTE. Very materially reduce it. It cannot absorb it entirely for the reason that we are bringing under the contributory system only the employed persons. In the total number of people gainfully occupied, the employees are approximately 60 percent. The self-

employed people—the farmers, tradesmen, professional people, and many other groups—constitute approximately 40 percent of the population.

The CHAIRMAN. So the tax will be only about 60 percent.

Mr. WITTE. The tax will reach about 60 percent of the population. While these other groups are in a better position than the employed population to make provisions for their old age, everyone knows that even people in these other groups may be and frequently are dependent at the age of 65. Unless in the course of time it is possible to devise methods by which these other groups can be brought within the annuity system, then there will be a continually increasing cost of pensions, but not nearly as great as if no such contributory system is adopted. As I stated, our staff estimates the cost without a contributory system, conservatively, at \$800,000,000 by 1980. The consulting actuaries that we employed, using higher estimates of dependency and average pensions, estimated a cost by 1980, in round numbers, of \$1,300,000,000. If the contributory system is adopted as outlined in the bill, on our staff estimates the cost will be reduced to \$116,000,000 and the actuaries to \$500,000,000.

The first part of this bill, title I, covers the aid to States for old-age assistance. Under this title the Federal Government will match the expenditures of the States for old-age assistance on an equal basis, but with the limitation that it will not contribute more than \$15 per month per case. The Federal Government will also match the administration costs, but it will not pay a larger share of the administration costs than is based on 5 percent of the pension disbursements.

The CHAIRMAN. Let me ask you, suppose in one of the States—and there are several as I understand it—the annual budget is \$14,000,000 and there are 60,000 old-age people who would come under the provisions of this law, and there is \$15 a month paid on each one of those, in order to get the \$15 from the Federal Government. That would approximate something like \$10,000,000 or \$12,000,000. Now how are the States going to raise that?

Mr. WITTE. The actual experience, Senator, has been that less than 15 percent of the people who are over 65 years of age have qualified for old-age pensions in any State in the Union thus far. This bill does not contemplate payment of a pension to everybody who does not have a sufficient income by himself. This bill contemplates that people who are being provided for by their children will continue to be provided for by their children. The actual number who, at least at the outset, will be able to qualify for pensions is estimated by our committee to be not more than 1,000,000 people in the United States as a whole, or somewhat less than one-seventh of the number that are 65 years of age. We arrived at that figure because approximately 700,000 of these people over 65 years of age are now on relief lists and another 180,000 are in receipt of old-age pensions under the laws of the 28 States that have pension laws. There is another number that we cannot accurately determine, probably not exceeding 100,000 or 150,000 people, who are in receipt of relief without being on Federal emergency relief lists. In some portions of the country, particularly in New England, the old people in need of public assistance are being taken care of outside of Federal emergency relief.

The State in which the percentage of relief grants has been highest is the State of New York, and in the State of New York the percentage

is still less than 15. We estimate that 15 percent of the people over 65 years of age will probably qualify for pensions, but in the first year there will be a lag in the number qualifying. In other words, Senator, I doubt whether the actual number of the pensioners of any State will be as great or will involve as great a cost as you assume. The State of New York pays the whole bill now and appropriates \$15,000,000. One hundred and eighty thousand people are now on pensions under State laws, at a total cost of \$31,000,000. The average pension, so far, is \$19 per month.

The CHAIRMAN. You mean all over the country?

Mr. WITTE. I mean all over the country, in the 28 States that have such laws. The highest cost in any State is in Massachusetts, where \$24 and some odd cents per month is paid.

Senator BLACK. Does that include those people who are taken care of by almshouses? Have you figured how many people are taken care of by public almshouses?

Mr. WITTE. We do not take care of the people in almshouses. The number in public almshouses is approximately 100,000, and in private institutions for the aged a somewhat larger number.

The CHAIRMAN. How many people in these private institutions would give up their rights to obtain this pension if the law were passed?

Mr. WITTE. I really cannot give you that figure. It is a great deal higher number than those on pensions, very much higher.

Senator BLACK. Do you have any exact figure?

Mr. WITTE. There has been no survey of almshouses since 1925. One of the recommendations of our committee is that the Bureau of Labor Statistics at once undertake a thorough survey of the institutions for the aged. We do not really know. We are just guessing at how many people are in almshouses. You can ascertain it accurately in some States, but in many States you can not ascertain it at all.

I missed your question for the moment, Mr. Chairman.

The CHAIRMAN. The question that I asked was whether these people, if you passed this legislation, would come out of the private institutions in order to get this money and if they could live that way cheaper and better.

Mr. WITTE. A limited number will, Mr. Chairman. Most of the people that are in public almshouses need not only financial support but they also need physical care, and those people will not be able to come out of the almshouses. We have had experience on this point in the States which now have old-age pension laws. In New York State a considerable number, approximately one-fifth or one-fourth of the people in almshouses did get on pension lists, but the great majority of them cannot be taken care of through pensions. Many of them are invalids and have no children who are able or willing to care for them.

Senator LA FOLLETTE. Mr. Witte, have you made any estimate, broken down by States to show what the State's estimated share of this burden will be, according to the same rule that you have applied to the estimates on the Federal side?

Mr. WITTE. The cost to the States will possibly be slightly higher than the cost to the Federal Government, because under this bill the States are required to pay a pension which is sufficient for reasonable subsistence compatible with decency and health. That may be a

pension in excess of \$30, and the Federal Government will only match half of the \$30.

The CHAIRMAN. Carrying out the suggestion of Senator La Follette, have you made a survey and is anything in the record that we can look to to see how much each State will have to put up, approximately, to carry out this plan?

Mr. WITTE. No, sir; I do not think it can be done, Senator. You would have to guess at what is needed on the average. For instance, in the State of Mississippi a very different amount is required for a reasonable subsistence compatible with decency and health than in New York City. In the State of Mississippi presumably the pensions will all be within the limit of this bill, the State will not have to put up any more money than the Federal Government. In the State of New York, due to the metropolitan character of a large part of that State, the pensions will exceed \$30 a month. They have averaged \$40 a month within the city of New York, although in the entire State of New York, including the city of New York, they have only averaged \$22. It is a question of what the need of the old person or the old couple is. If the old couple lives in a rural community and owns its own home, then the pension will cover only the living costs. If, as is usually the situation in an urban community, the old couple does not own its own home and quarters must be rented, the pension must be higher.

The CHAIRMAN. I suppose you have given this proposition considerable thought and study because it goes to the very meat of it, without regard to whether it is my State or the State of Alabama, or any other State?

Mr. WITTE. Yes, sir.

The CHAIRMAN. If a State had to raise \$5,000,000 to come into the system and to obtain a fractional part of the \$15 that the Federal Government would appropriate, and the State was just able to meet its budget without this additional cost, and it found it was impossible to raise this \$5,000,000, then that State would not get anything, would it?

Mr. WITTE. Not unless it has qualified; no, sir.

The CHAIRMAN. And if it were impossible for it to qualify it would get no relief under this bill?

Mr. WITTE. That is correct.

Senator KING. Senator, we cannot assume that there is no obligation on the part of the States to take care of their poor.

The CHAIRMAN. I just wanted to get the fact clear in my mind.

Mr. WITTE. I think, Senator, the only States that would have to put up anywhere near \$5,000,000 are the very large States—New York, Pennsylvania, Ohio, Massachusetts, and a few others.

The CHAIRMAN. If you can get some figures, some estimate as to how much each of these States have to put up, I think it would be well to put them in the record.

Mr. WITTE. We will attempt to get something, but it will be merely a rather arbitrary guess.

The CHAIRMAN. I appreciate that.

Mr. WITTE. We have no figures on dependency by States. That varies by States. We have almost no basis for estimating the costs in the States except the present relief costs. The present relief costs are a fairly good guide. The average for the country, per family on

direct relief is \$23. In some States it is as low as \$10 and in other States it is above \$30.

Senator GUFFEY. Mr. Witte, are not some of the 28 States that have passed pension laws paying no pensions now? Can we get the number that are now paying pensions, the number on the roll and the total cost?

Mr. WITTE. That is in the record now, as to what they actually pay.

Senator GUFFEY. Thank you.

Mr. WITTE. For the 23 States that are actually paying pensions at this time, we put in the record the total cost and the average per case. The average ranges from \$24 in Massachusetts to something over \$6 in Indiana.

Senator BLACK. Mr. Witte, do you have that with reference to each State? Do you have the number that are eligible, so far as age is concerned, and the proportion in that State who receive the pensions? If so, that will give you a fairly accurate, or at least as accurate as you can get, a basis to compute what costs the State.

Mr. WITTE. The table is in the Supplement to the Report of the Committee on Economic Security as is the percentage of the people over 65 who have been granted old-age pensions. That percentage is the highest in the State of New York; and there it is slightly under 15 percent. In many of the States it is a good deal less than 15 percent.

Senator BLACK. Fifteen percent of the population or of the aged?

Mr. WITTE. Fifteen percent of the people that are over 65 years of age, or over 70, whatever the State law provides. In half of the States they have a 70-year limit. That is the case in New York. In that State 15 percent of the people over 70 years of age have qualified for pensions. A smaller percentage would qualify if the pension age were 65 years.

The CHAIRMAN. I presume you are thoroughly familiar with the Townsend plan and have figured out the cost under that plan in detail.

Mr. WITTE. Yes, sir.

The CHAIRMAN. I hope you will have that data ready, because this committee is going to invite Dr. Townsend here to make an explanation of his proposition, and then someone ought to be able to analyze it from the other standpoint, so we will get a full discussion of the Townsend plan which has agitated the minds of some people.

Mr. WITTE. We have just prepared a factual analysis of the Townsend plan for the House Ways and Means Committee and if you desire it, I will be glad to insert that in your record.

The CHAIRMAN. Not right now. We will wait until Dr. Townsend has presented his proposal to us. Go ahead.

Mr. WITTE. The conditions of the grants, I think you have discussed quite thoroughly. The discussion brought out that the chief concern related to the condition, that the grants must be in an amount which, when added to the income of the applicant and the income of his spouse or her spouse, shall be sufficient to provide a reasonable subsistence compatible with decency and health. That is the language of the New York and Massachusetts acts.

If that language is deemed by you too vague, then the alternative is to insert a more definite standard—that a certain amount shall be deemed to be necessary for a minimum subsistence.

The thought of the committee in recommending this standard, which has worked well in New York and Massachusetts, is that it permits adjustments to varying conditions and to individual cases. In different portions of the country costs differ greatly. Costs differ within the same State, depending upon conditions. They differ within the same community, depending upon what other income the applicant has. This average pension grant does not mean that those averages are the maximum. The maximum grants are a good deal higher. The average is low, because many of these people have some income in cash or in some other form, a house, or something of that sort.

Senator GERRY. Dr. Witte, do you consider the Massachusetts and New York acts as very satisfactory legislation?

Mr. WITTE. The New York and Massachusetts laws are two of the best acts. In some respects they are not as advanced as some other States. They have 70 years as the age limit and they have too high residence qualifications. In this respect the act of the State of Delaware is the most advanced. The actual grants have been most liberal in New York and Massachusetts and the administration, on the whole, I think has been as satisfactory as anywhere. As in most of these matters, the States which enacted the first laws, which were the pioneers have, on the whole, the weakest laws. That is always the case. The later laws are an improvement upon the earlier legislation. We enacted our law early, and it does not measure up to the more recent laws.

Senator GUFFEY. Mr. Witte, does private charity take care of the cases in New York from 65 to 70 years of age?

Mr. WITTE. Those are taken care of by relief, mostly, at the present time.

Senator GUFFEY. Does not the family welfare department of the Associated Charities take care of a part of it?

Mr. WITTE. It takes care of a part of it.

Senator GUFFEY. How low do they go? Are you familiar with that, in the State of New York?

Mr. WITTE. I am not familiar with it, Senator. It is a question, whether you wish a definite standard or whether you wish a more flexible standard. That is, of course, a question of legislative policy. I am presenting to you the thought of the committee. If, in your judgment, a more definite standard is desirable, that is entirely within your discretion.

Similarly, on the question of age limits. Our thought has been that the most important thing at this time is to get the 700,000 people that are now on relief, taken care of in a little better way than they are taken care of on relief. With so many of the States in straitened financial conditions, we have felt that many of them probably cannot take care of all of the old people if you established a 60-year age limit, for instance, but that again is a matter for your decision. Half of the States now have a 70-year age limit and half of them a 65-year age limit; none of them lower. If, in your judgment, you should go lower, you will have to increase the appropriations.

Senator LONERGAN. Mr. Witte, has your committee ascertained the number of eligibles in each State?

Mr. WITTE. That can only be estimated, Senator.

Senator LONERGAN. Yes; I understand.

Mr. WITTE. We haven't attempted to ascertain that. We can give you an estimate of the number of people over 65 years of age who are now on relief and that is the group that is the minimum number who will be able to qualify.

Senator LONERGAN. Now, has your committee contacted the authorities in a State to ascertain whether or not each State can stand the financial burden if this plan is adopted?

Mr. WITTE. No, sir; 28 States now have laws. The other 20 are the States in the main where the financial situation is most acute. They are the more rural States, in which the grant would probably, on the average, be smaller than in the States that now have such laws.

Senator GUFFEY. Dr. Witte, some of the 28 States who have passed old-age pension laws are not actually paying old-age pensions. Pennsylvania, for instance, has passed the law, but it is not paying the pensions.

Mr. WITTE. Five States out of the 28 are not really enforcing their pension laws; 23 States are paying pensions. The States that are not paying pensions at this time are all States that enacted their laws very recently in 1933. It is to be hoped and expected that they will make provisions for payment in time. Five States out of the twenty-eight are not really enforcing their pension laws.

Senator GUFFEY. The State of Pennsylvania is one of them.

Mr. WITTE. Pennsylvania is one of them.

Senator KING. Dr. Witte, have you contracted the proper authorities in the Federal Government to see where they would stand, in view of the tremendous appropriations called for?

Mr. WITTE. The President very wisely placed on the Committee as a member of the Committee, the Secretary of the Treasury. We have had advice from him on the financial aspects of these problems. The question of what the States can do is one that of course must be taken into consideration. I think every State, if you asked it, would say that it could not afford to pay the bill, that it would like to have the Federal Government pay the entire cost. I might say, however, that Congressman Kellar, of Illinois, after consulting us, addressed a letter to the governors of all the States and asked them what sort of a pension law they thought the Federal Government should enact. I am not quoting him exactly, but I think the majority of the governors of the States indicated that a 50-percent matching basis seemed fair to them. A majority of the governors also indicated that a pension figured on a \$30-a-month basis was reasonable. If you so desire, I presume Congressman Kellar would be glad to testify on that point.

Senator KING. Did the Committee itself send any communication to the governors of the various States, or any agencies in the States, to obtain their views with reference to this matter?

Mr. WITTE. No, sir.

Senator GORE. Mr. Witte, do you know that the national democratic platform declared for old-age pensions to be taken care of by State laws alone?

Mr. WITTE. It declared in favor of unemployment insurance and old-age pensions through State legislation.

Senator GORE. There was no mention even of Federal participation, the clear implication being it was for the States to pay the cost.

Mr. WITTE. The implication that the Federal Government should not participate may or may not be read into that plank; that is a matter of opinion.

Senator GORE. It was possible for the committee that had charge of this in the convention to have said Federal and State, there was no inhibition on using the word "Federal" in that plan.

Mr. WITTE. This bill contemplates that the States will enact the old-age pension laws and administer them, and the Federal Government will participate in aiding them to have such laws.

Senator KING. You think it wise that the burden be placed on the States of initiating the law and administering it?

Mr. WITTE. That is the thought of the Committee, and the thought of the Committee is, too, that as a practical matter—because of the financial condition that so many of the States are in, if we are going to take care of these old people who are in need at this time, who cannot provide for themselves, whose children do not provide for them—Federal participation is necessary.

Senator GORE. You do not think the Federal Government is in any better shape financially than the States that collectively constitute the whole of the Union?

Mr. WITTE. Our judgment is that the Federal Government can carry this burden.

Senator GORE. Is there any resource or revenue that the Federal Government can tap that does not come out of the pockets of the people in the several States?

Mr. WITTE. Of course not, because we are all one country and a citizen of a State is also a citizen of the United States.

Senator GORE. Yes. If Maine does not see fit to pension their aged citizens, you think it still ought to be taxed to pension the citizens in California?

Mr. WITTE. This is the same question on which the Congress has acted in the relief legislation. The Congress had established the principle that at least in a time such as we are facing now there is a national responsibility for the care of people who are without means. This is a plan to provide for the old people without means and who are not being supported by their own children in a more humane and better way.

Senator KING. There is nothing in the State constitution that would prohibit them from imposing taxes upon the people within their own borders to take care of the indigent, is there?

Mr. WITTE. The State old-age pension laws have been sustained everywhere. There was a decision in the State of Pennsylvania, under a peculiar provision of its constitution, in which its original old-age pension law was held unconstitutional. Aside from that, the decisions have all been that old-age pension laws are within the jurisdiction of the States and are valid.

Senator BARKLEY. The Federal Government being further from home it has more courage to levy taxes.

Senator KING. You mentioned the advisability of having flexibility in the law, and I think you are right there. That flexibility would be best carried into effect by a State rather than by the Federal Government, would it not?

Mr. WITTE. This plan contemplates, Senator, that the State shall pay one-half of the cost at least. That is a safeguard against any reckless waste of money. If the States bear half the costs, I do not

think you will have to worry much about granting pensions in cases where they are not needed.

Senator KING. It is obvious, is it not, that in some States, because of climatic conditions, labor conditions, and so on, the pensions ought to be larger or smaller than in other States? For instance, take Montana, where the climate is very severe and coal is rather difficult to obtain, the price is rather high and the cost of living would be very much greater than in some of the Southern States, for instance Florida. You would believe, would you not, that the people of the State would be better able to determine the extent of the old-age pension than the Federal Government?

Mr. WITTE. That is the theory, Senator. Likewise, I want to call your attention to the fact that for nearly 2 years now you have administered relief and the relief grants have varied with conditions all the way from an average of \$10 a month, in round numbers, to an average of about \$30 a month, depending upon the State. This bill contemplates that the same administration which has been administering relief shall be charged with the administration of these Federal grants.

Senator GORE. Have you found that political pressure had anything to do with the amount granted in the several States?

Mr. WITTE. I do not believe so, Senator.

Senator GORE. The reason I asked, Oklahoma had 193,000 on the relief rolls, from figures which I obtained some months ago, and Kansas, which is almost as large, had 56,000 on the relief rolls; Nebraska had 13,000; Missouri, with $1\frac{1}{2}$ times the population of Oklahoma, had 77,000; Texas with $2\frac{1}{2}$ times the population of Oklahoma had 170,000, against 193,000 in Oklahoma. I do not want you to think that I had any reference to collusion.

Senator BLACK. You would not mean to imply that the political pressure of manufacturers' associations to granting a liberal pension might have some effect on it, would you?

Mr. WITTE. I think we have safeguarded, to the fullest extent that it is humanly possible, against pressure entering very much into this picture. The States must first pay half the costs. Then we do have a possible control by the Federal Government. If conditions should be such—as I think no one need expect—that grants were being made for political purposes and denied for the same reason to other people, the Federal administrator can stop payments. I think, by and large, we have ample safeguards.

The CHAIRMAN. Did the Committee divide on the question of the State and Federal Government paying the same amount? Naturally a lot of discussion took place around that issue.

Mr. WITTE. Yes.

The CHAIRMAN. Was there much division on that?

Mr. WITTE. In the Committee itself?

The CHAIRMAN. Yes.

Mr. WITTE. No, sir.

The CHAIRMAN. Did somebody want the State to put up a larger percentage than that or a smaller percentage than that?

Mr. WITTE. Well, there was a discussion first of the Federal Government matching only up to one-third. That was the original idea.

The CHAIRMAN. Paying one-third?

Mr. WITTE. The Federal Government to pay one-third, Senator. Later it was felt, with conditions as they are, that the Federal Government, in many States, would probably have to pay more than one-third. It is a practical question, a matter of judgment, Senator.

The CHAIRMAN. All right, proceed.

Senator GORE. What is the attitude of the National Manufacturers Association, do you know? I confess my ignorance. If anybody knows, I would like to have it. He may have better knowledge than I have.

The CHAIRMAN. They have requested, as I understand, to come before the committee.

Senator GORE. Yes. I think they ought to be allowed a hearing. I think they have, in the past, been opposed to old-age pensions.

The CHAIRMAN. You may go ahead, Mr. Witte.

Mr. WITTE. With that, I would like to pass over title I. The Federal grant-in-aid for State old-age assistance to old people who are dependent upon the public for support, and go to title III and section 405.

The CHAIRMAN. What page is that?

Mr. WITTE. Page 15 for title III, and section 405 is on page 24. Those are provisions that relate to the second part of the program for old-age security, the program for a contributory annuity system, which is proposed to enable people who are not yet old to make their own provisions, with matching the contributions from their employers, toward their old age. These provisions will be more ample than are possible on a gratuitous basis, and free from any element of charity. The plan calls for the imposition of a tax on employers and employees, which in the early years is very low. It starts with one-half of 1 percent and is increased in 5-year intervals by one-half percent, that is, the combined rate is increased by 1 percent, until you reach the maximum of 5 percent in 20 years.

The CHAIRMAN. When does it start with one-half of 1 percent, what year?

Mr. WITTE. In the year 1937, and in 20 years it reaches the maximum of 5 percent.

Senator BLACK. What page is that?

Mr. WITTE. That is title III on page 15. The first part is the tax on the employee. On page 16, the next section, is the corresponding tax on the employer. They belong together. Each starts with a tax of one-half of 1 percent, which is stepped up in 5-year intervals by an additional half percent.

The plan is not entirely self-supporting until you reach the 5-percent rate. It takes the 5-percent rate to pay those benefits which are contemplated under section 405, page 24.

There are two reasons why a lower rate is suggested in the early years.

First, because we are still in the stage of incomplete business recovery, and are imposing a tax for unemployment-insurance purposes simultaneously. But, primarily, the thought was that it is desirable to keep the reserves in this fund within a controllable amount.

The CHAIRMAN. Explain to the committee just how it is collected.

Mr. WITTE. The collection is left up to the Secretary of the Treasury. The provision occurs in section 304 on page 17. He is authorized, if he desires, to introduce the European stamp system of collec-

tion. The European countries that have contributory old-age annuity laws, and most of them have such laws, have instituted a stamp book system of collection. They are something like the books that the industrial workers now have, in which their payments of industrial insurance are recorded. Fifty million people in this country are carrying industrial insurance policies.

Many of this group that we are dealing with here, are quite familiar with that type of collection of contributions.

We are not saying that the Secretary of the Treasury shall adopt a stamp system. We are not sure that that is the best system for this country, but we are authorizing him to do so.

Senator KING. Would the adoption of the plan herein suggested destroy this system which you say now exists in the United States and which embraces within its operations 50 million of people?

Mr. WITTE. Oh, no. That relates to industrial insurance, which is a form of life insurance. Industrial insurance is life insurance in policies of less than \$500. The average policies, I think, are less than \$200. It is an entirely different matter.

All that I have in mind in mentioning industrial insurance is that the industrial population of this country is not entirely unfamiliar with something like the European stamp system of collecting insurance contributions. It is not a governmental tax that is being collected in this manner and the contributions are not being collected monthly, as under the European old-age insurance laws, but similar collections are now being made from much this same group of people that we have to deal with. But we are not prescribing that this is necessarily to be the system.

We are allowing a year to intervene before putting the law into operation, because in this entire matter of the annuity system there is a vast amount of further study necessary to determine precisely the best methods of administration. Above all there will be necessary a systematic campaign to acquaint the workers and the employers with the methods that will have to be followed. It was the thought of our committee that a year's time is very necessary for this necessary educational effort.

The collections from certain groups of the employers certainly may be made without a stamp system. All corporations report annually to the income-tax division of the Internal Revenue Bureau. They report the names of all of their employees and the amounts of wages paid them. For corporations, the easiest method of collection may well be an annual return, in which the employer reports for the year the amount of wages paid to each employee and pays the tax in one lump sum. In this bill, we require the employer to pay the tax and authorize him to deduct it from the wage which he pays the employee.

The CHAIRMAN. Give us an example now of a fellow who has a cook employed, paying him \$50 a month. How would that operate?

Mr. WITTE. Under the European system—

The CHAIRMAN (interrupting). I am not talking about the European systems. I am talking about this bill if it is put in force; how would you go about collecting it?

Mr. WITTE. Under this bill, the Secretary of the Treasury has discretion as to what method he would prescribe for collection, but assuming that he should prescribe a method such as is in operation in the European countries, the worker—the cook—would annually

procure from the Government employment office a book in which there were spaces, probably, for 52 stamps. The employer would purchase those stamps from the post office. He would not literally have to paste a stamp in the book every week; he would put in the proper number of stamps when the cook leaves his employment covering the entire period. The cook would demand the book. In Europe, the cook would look at the book and see that the employer had actually put in the stamps. Annually the book would be renewable at the employment office and the old book with the canceled stamps in it turned in as the permanent record.

Senator KING. What would you do in a case like this? Take the persons who were engaged in the canning business or in the production or growth of beets, as the farmers are. They employ during the seasonal period 2 or 3 or 4 persons to help weed the beets and take off the unnecessary sprouts and so on, and then in the harvesting they employ a few more. How would you deal with cases of that kind?

Mr. WITTE. If you deal with them on a stamp-book basis, you would deal with them as I described. If you adopted the other method—and this bill would authorize the Secretary of the Treasury to prescribe one method for one group of employers and another for another—he would report at the end of the year what wages he had paid and would pay the proper amount of tax, both for himself and his employees.

Very frankly, the greatest difficulties will be encountered, at the outset with the casual employees and with agriculture and domestic service. In the manufacturing industry, the administration will not be a difficult matter at all. But in the casual group there would be a very considerable administrative problem.

Our committee recommended that you include the entire employed population. Whether you wish to follow our recommendation or not or whether you wish to make certain exemptions, is, of course, entirely up to the Congress. For administrative reasons, it may be necessary to make exemptions at the outset and to try to develop methods by which you can bring in the groups that are difficult to handle at a later date. We recommend that they be included, because whether you employ one cook or one stenographer, that person grows old just the same as a person in a large factory. Such a person also needs to make provision for old age; in fact it is within these groups, that the need for provisions for old age is greatest; but, frankly, the administrative difficulties cannot be disregarded and you may wish to exempt these groups at the outset.

Senator COUZENS. The State does not participate in those?

Mr. WITTE. Not at all. This system, once it is established and becomes customary and people become accustomed to it, does not involve very much administration. A person reaches the age of 65 only once in his life. You have not the same problem as, for instance, with unemployment insurance, where you have to follow the person right along. All you have to have is a record of the prior contributions when retirement age is reached. You do not have to follow the insured person as minutely as in unemployment insurance.

The CHAIRMAN. This policy is pursued whether the States approve it or not?

Mr. WITTE. That is true.

The CHAIRMAN. And the tax operates on each person in the State whether the State approves it or not?

Mr. WITTE. Yes, sir.

The CHAIRMAN. It is general throughout the United States?

Mr. WITTE. It is the only part of our committee's program in which we provide for exclusively Federal administration. In all other parts of the program, we recommend a cooperative Federal and State system. We recommend an exclusively Federal system here primarily because the working life is such a long period, a period extending normally from about 20 years of age to about 65—45 years. During such a long period of time, a large percentage of our American population will shift about very considerably. You would get very intricate problems of transfer of records if you attempted to establish an insurance system covering 45 years of a person's lifetime on the basis of State lines. Then again it is a system which after it is once established and becomes familiar, can be administered with a minimum of direct contact with the insured employees.

Senator COUZENS. Have you attempted to figure the cost of administration in all these activities?

Mr. WITTE. This activity here?

Senator COUZENS. All of the activities which are incorporated in the bill.

Mr. WITTE. The administration of the annuities is a function of the Social Insurance Board. The Social Insurance Board is responsible for the administration of this system and also for the administration of the Federal part of unemployment insurance and for further studies of other forms of social insurance. We suggest an appropriation of \$1,000,000 a year for all of the activities of the Social Insurance Board.

Senator BLACK. Dr. Witte, returning to the subject of those included, it includes those who are employed?

Mr. WITTE. Yes, sir.

Senator BLACK. And includes no other group?

Mr. WITTE. Not on a compulsory basis.

Senator BLACK. What about, for instance, certain sections of farmers, or a tenant farmer?

Mr. WITTE. Neither would be included in this compulsory system. It is desirable, in order to reduce pension costs, to include these other self-employed groups, but no effective method of collection from these self-employed groups has yet been devised anywhere in the world. One country, Sweden, attempts it through a "head tax", as they call it, a poll tax, and the collection is very imperfect. The employed group can be reached, because we can collect from the employer and authorize him to deduct from the employee. It is again a question of administration. The desirability of bring in the entire population is very evident, but the difficulties of doing it are such that we, as yet, do not know how we could bring in the self-employed.

Senator BLACK. That is a rather large group that is excluded, is it not? Have you any figures?

Mr. WITTE. This group includes about 40 percent of all gainfully occupied persons in the United States. Sixty percent are employees and 40 percent are not.

Senator KING. Doctor, in your projecting of this plan, didn't you have before you populations such as for instance in Great Britain, Germany, and France that are rather fixed and stationary, not so mobile and transitory as the population in the United States. Without mentioning any States, I have in mind a number of States where

there has been an accretion to the population of from 10 to 20 percent in the past few years, and in some other States, because of the mobility and change in conditions, there has been a decrease in population. It does seem to me with the mobility of the population, and the transitory character in so many of the States, you would have the utmost difficulty in putting into force this system.

MR. WITTE. That is one reason, Senator, why we have not tried to set up this insurance system on State lines. In a period of 45 years, a working life of 45 years, people move about in this country a great deal. Administration of a compulsory annuity system presents a more difficult problem, as an administrative problem, in this country than in Europe. It is not an insoluble problem, however. We have a vast expanse, a larger expanse than any other country in the world except Russia, and we have a mobile population. We have a population which at this time, except for industrial insurance, is not familiar with the European methods of collection. Establishment of an old-age-insurance system presents considerable difficulties. But the alternative is that you will have very large pension costs in the future years, because of two factors, because the number of the aged is increasing rapidly and a larger percentage of the old people will probably be dependent as the gratuitous pension system becomes more firmly established. If you accept the general principle that it is desirable that provisions for old age shall be made for the individuals, then you must come to some system of this sort.

In that connection, I wish to say this, too, that experience in nearly all countries of the world has been that they started with noncontributory old-age pensions for people in need, just as we have started in this country, in the 28 States that have such laws. In the course of time it becomes so apparent that the costs of noncontributory pensions are so great, that the country also institutes a contributory system to take over gradually the burden of these costs. England, for instance, instituted a noncontributory old-age pension system in 1908. By 1925 it found it necessary to supplement that by a contributory system. It has both now.

Canada started with noncontributory pensions in 1927. The Premier of Canada has announced that he will present at the next session of the Parliament a contributory old-age insurance plan, as well as an unemployment-insurance law.

SENATOR KING. Doctor, did your committee consider this question? We are in a period of depression and have been for a number of years. There are some evidences of revival in business, but still a good deal of apprehension on the part of business people, as well as the population generally. Did you consider that if you project us immediately into this tripartite or quadruple plan, with all of the machinery and economics and costs involved, all at once, it might be rather too big a jump. Did you consider the wisdom of tackling one or two of these first, getting those plans in operation successfully and then approach the others in the light of experience, in the light of improved conditions, as probably they will be; in other words, did the committee consider the wisdom when we are all prostrate, so to speak, tied down by economic conditions that are chaining us pretty tightly, did you consider the wisdom of immediately imposing on business and upon the people these rather heavy burdens rather than approaching the task in the light of our experience and in the light of improved conditions?

Mr. WITTE. We assuredly did, Senator, and we are proposing a plan which takes into consideration the element that you are speaking of. We propose that the old-age annuity system shall not be instituted for a year after the unemployment compensation tax gets into operation. Then we propose a rate at the beginning which does not involve any great burdens on industry. The rate at the beginning under this system is essentially too low to bear the total costs ultimately, far too low, but we have had in mind, amongst other things the fact that we want to give industry every chance to recover completely before imposing very heavy burdens. That has been kept in mind, Senator.

Senator KING. If the Congress should conclude to separate this plan and take it up in its natural divisions as you have suggested it, which ones would you regard as the most important to be taken up and acted upon promptly?

Mr. WITTE. We are presenting the complete program for old-age security in this bill. Obviously the most immediate thing is assistance to the people that are now in need. That is not a very satisfactory method of taking care of the problem, but first and foremost we must take care of the people that have no means of support.

Senator KING. That is the old-age pension?

Mr. WITTE. That is the old-age pension. The old-age annuity is necessary to reduce costs, to enable people to make provisions for old age that are better than the provisions that can be provided on a gratuitous basis, that are free from all element of charity. Our Committee has accepted as a thesis that it is desirable that the people should make their own provisions for old age, with matching contributions from their employers, and that such a system is preferable to a gratuity given to them when they are without means of support. From every point of view, we suggest that it is desirable to start the two systems, not exactly simultaneously, but very shortly after each other. World experience has been that you will come to a contributory annuity system in time.

Senator KING. Upon the theory that old-age pension would be such a heavy burden that the Government cannot stand it, and therefore you must supplement it with this plan?

Mr. WITTE. Not only that, Senator, but also that, after all, the old-age pension can only be on the basis of need.

Senator KING. On the basis of what?

Mr. WITTE. On the basis of need. The public cannot afford to pay a pension out of general taxes to everybody that is old regardless of need, whether that amount be \$200 a month or \$50 a month—the taxpayers cannot afford to pay gratuitous pensions to millionaires. It is to make better provisions for old age on a better basis than is possible under a gratuities system, as well as that the cost in time becomes prohibitive, that you will have to institute a contributory system sooner or later. It is of course a question for the judgment of Congress when that should be done. It is the view of our committee that it should be done practically simultaneously.

Senator BLACK. Doctor, I was interested in your statement that obviously the thing to be considered was the need. You stated that on that basis old age was most imperative. Is it not true that if you considered it wholly on the basis of need, with reference to the number who need things, absolute necessities, that the health insur-

ance would stand out more prominently than the old-age pension even?

Mr. WITTE. Senator, I was just discussing these three measures of old-age security. I did not try to judge as between old-age security and health provisions, old-age security and unemployment compensation. Only as between the three measures that we are suggesting for old-age security.

Senator BLACK. I misunderstood you; I thought you meant that as affected by unemployment and old age and health.

Mr. WITTE. Oh, no.

Senator BLACK. And it is my understanding that your studies show that so far as actual need is concerned, health insurance stands first with reference to the number affected and who could be and would be benefited by a system such as has been proposed.

Mr. WITTE. That is quite a different matter.

Senator BLACK. But that is correct, is it not?

Mr. WITTE. I doubt it, Senator.

Senator BLACK. What would you think would come first on that basis?

Mr. WITTE. Of course, in absolute numbers, at this time, unemployment is the greatest hazard.

Senator BLACK. But this would not affect those that are now unemployed. Unemployment insurance is intended to cover those who are out temporarily, thrown out by technological changes or shifting business.

Mr. WITTE. Unemployment is a very serious problem at all times.

Senator BLACK. Certainly.

Mr. WITTE. And old age is something that everybody reaches.

Senator KING. If they live long enough.

Mr. WITTE. Yes, of course; I was going to qualify it that way. But old age is something for which provisions have to be made, and the provisions have to be very substantial. I do not believe that you can judge it that way, Senator Black. All three are very great hazards against which safeguards must be provided. It is estimated that about one-third of the people who are dependent in normal times are dependent because of sickness. Fully as many are dependent because of unemployment, I think. All three of them are very great hazards and all three should be dealt with in any comprehensive program of security.

Senator KING. Doctor, recurring to the measures of the bill which we are now discussing, in what countries has this system been put into operation, and will you state briefly the success which has attended the operation of this system?

Mr. WITTE. I placed in the record, Senator, a complete list and an analysis of the laws of foreign countries. In general, the European countries have systems of noncontributory old-age pensions and contributory annuities. In the English-speaking countries, other than Great Britain itself, thus far they have only noncontributory pensions, but Canada is now coming also to a contributory annuity system. Some provision for old age, such as we contemplate, is made in every country of the world at this time; that is, every large country, other than I believe India and China. It is back in my mind that Spain makes no such provisions. Some provision is being made in practically all countries of the world, and in many of them both of these systems are in operation.

Senator COUZENS. What becomes of the funds that are collected under these annuities if a person dies before 65?

Mr. WITTE. That is provided, Senator, in section 405 (c), at the bottom of page 28. The provision is that, if a person dies, the money that he has himself contributed, not the employer's money, shall be returned to him with interest, that is, returned to his estate; similarly if he dies after he has been granted an annuity, the money is returned to him less the amount that has been paid to him as an annuity. In any event a person always gets back his own money, or his estate does.

The CHAIRMAN. What about the employer's money? That goes into the fund?

Mr. WITTE. Yes, sir. Returning the employer's money would add to the cost of these annuities very materially. By not returning any part of the money you reduce the cost, but it was the thought of our committee that it would not be satisfactory to the workers—that they would not be able to understand a system under which they, or rather their heirs, would not get back their own money with interest in the event that they should be unfortunate enough to die young.

Senator COUZENS. I still do not understand your answer to Senator Harrison's questions as to the funds paid by the employer.

Mr. WITTE. It is returned to the fund.

Senator COUZENS. Then how is it distributed?

Mr. WITTE. This is a single fund. It is in the fund and it is distributed to other people. It helps carry the whole pension load. We keep a separate account of the employees' contributions, in order to be able to determine the annuity payable to him. We keep no separate account of the employers' contributions. We do not say that Tom Jones was employed by the Ford Motor Co. and the Ford Motor Co. contributed this much in his behalf. The only record we have is how much he paid.

The CHAIRMAN. All right, Dr. Witte; proceed.

Mr. WITTE. If there are no further questions on this contributory system, I would like to pass to the third part.

Senator LA FOLLETTE. I would like to ask you, Doctor, how you contemplate making up this deficit that will be in the annuity scheme because of the low tax which you are imposing in the early years?

Mr. WITTE. As the bill now stands that is not made up, and represents a cost which will begin in the year 1965. Until the year 1965, there is no cost to the Government. After the year 1965, there will be a cost to the Government under the system as it stands. If you wish to eliminate that cost, there are two things which you can do. We submitted to the House Ways and Means Committee various tables showing concretely what alternatives there are.

Senator LA FOLLETTE. Will you see that they are incorporated in this record?

Mr. WITTE. I will incorporate them in the record. You can step up the contribution rates in the early years. That has two features which many people think undesirable.

The CHAIRMAN. If business recovers and wages increase and so forth, that would be all right, wouldn't it?

Mr. WITTE. It would be. One factor is that high rates at the beginning might burden business quite heavily in the early years when it is desirable to keep the rates low, and the other that you will build

up reserves very fast and these reserves are very deceptive, representing really a debt of the United States Government to the fund. Yet these reserves might be regarded by the people on the annuity lists as a reason for increasing the annuity and other people might want these reserves to be used for all kinds of purposes. That is the danger of reserves that mount very fast—and they will mount very fast—if there are high rates at the beginning, because at that time you have relatively few people retiring. The people that are now 20 will not retire until the year 1980. (That is where the year of 1980 comes from. By that time all of the present industrial population will have reached the retirement age.) As you build up in the early years you have a much greater income of the fund than you have outgo. Even at these rates that we have in here a reserve of \$15,000,000,000 will be built up according to the estimates of our actuaries by 1965. If you step up the rates you build up a much larger reserve and much faster. It is debatable whether that is desirable. Personally, I have not felt that the reserves constitute quite such an obstacle as some actuaries believe.

But that is a question for you to decide. You can eliminate the cost to the Government under the annuity system by stepping up the rates. You can eliminate that cost also by not paying any thing at all to any person who is now beyond middle age in excess of the amount which his own contributions and those of his employers will buy at age 65, but then you will get very small annuities for the person who has only been in the system for 5 years. If his average wage has been \$100 a month, he will get an annuity at an initial 1 percent contribution rate of 48 cents, and an annuity of \$2.39 per month on a 5 percent contribution rate. In these provisions we contemplate a larger annuity than is "earned" for the person who is now well along in years. That is the element of cost to the Government, which it ultimately will have to bear. After the 5 percent rate is in effect the person who starts at age 20 will pay his own annuity, including his employers' contribution. The person who is now 55 won't pay his own annuity and the Government will bear that cost, in the form of an interest charge on the money really borrowed from the contributions of the younger workers in these earlier years of the system. That is the plan we set up; you can adopt that plan if you wish. You can avoid any governmental contribution to this system entirely.

Senator KING. By increasing the rates?

Mr. WITTE. By increasing the rates, or by eliminating entirely partially unearned annuities to people who are half old.

The CHAIRMAN. By increasing the rates you will increase the political agitation to reduce the rates later on and dissipate any reserve that had been built up.

Mr. WITTE. That was our fear.

Senator LA FOLLETTE. Have you furnished any tables of what the Government will have to meet by years?

Mr. WITTE. We have tables, yes, sir. These tables that we submitted to the House Ways and Means Committee, and which you asked me to insert.

The CHAIRMAN. I think Miss Perkins put them in the record.

Mr. WITTE. I think so. If they are not inserted, we will be glad to insert them at this point.

Senator KING. Does the history in other countries of this plan, as well as the other plan here submitted, show tremendous political

pressure being brought by the beneficiaries in order to augment the contributions by the State?

Mr. WITTE. I think not, Senator. There has not been any increasing of the annuities in other countries, but the other countries in the main are not democratic countries. The English-speaking countries are.

The CHAIRMAN. You can be sure that there would be a political agitation on this in this country.

Senator BLACK. On both sides.

The CHAIRMAN. On both sides.

Mr. WITTE. If you have no further questions on that, I would like to pass to title 5.

Senator KING. There is one question that is not perhaps germane. In all of these plans which you have discussed and that your Committee considered, how did you treat the cases of those who are now receiving contributions from the Federal Government, for instance, the soldiers, the ex-service men, and the Federal employees? We have, you know, practically 1,200,000 Federal employees and they are being augmented greatly, unfortunately by bureaucratic methods. Then you have a large number more who are receiving approximately \$600,000,000 or \$700,000,000 by reason of compensation—veterans, and so forth. How do you deal with these cases?

Mr. WITTE. In the contributory annuity plan, we exclude all public employees, and we also exclude—

Senator KING (interrupting). That would include the State and municipal employees, I suppose?

Mr. WITTE. Yes, for the reason, Senator, that not only do they very often have their own systems, but also that the Federal Government cannot impose a tax on State governments. We also exclude the people that are covered under the Railroad Retirement Act, which you passed at the last Congress, because you have set up a special contributory annuity system for railroad employees. You have now, in the Federal Government, two contributory annuity systems: A system for the Government employees and a system for the railroad employees.

Senator BARKLEY. That is now in the same place where the gold clause is.

Mr. WITTE. Parts of the act. I think the suit does not involve the validity of the entire act. It involves its application, but I am not qualified to discuss that.

The CHAIRMAN. Proceed.

Mr. WITTE. Title 5 deals with what we call in our report, the "voluntary annuity system." It is an attempt to make available to people who cannot be brought under the compulsory system some of the advantages of the compulsory system on a voluntary basis. It is intended primarily for the self-employed people of small means. This part of the bill is copied almost verbatim from the War Savings Certificate Act of the war time. The intent is to have the Government sell annuities on much the same basis as the war-savings certificates which the commercial insurance companies are not pushing at all and are not attempting to reach. It is for the people who make provisions for their own old age in small amounts. The Dominion of Canada has had experience with that sort of a voluntary system. It

has not been strikingly successful. People do not make provisions on a voluntary basis for old age as much as they should, but this is an attempt to make it possible for people to do so.

The Government makes no contribution under this plan, which is to be entirely self-supporting. The provisions of this title are very broad; annuities can be sold under any conditions that are deemed desirable and advisable. They will probably be on sale in the post offices, and perhaps also in the banks, if they will cooperate. We do not expect the voluntary annuity system to become very large, at least not in the early years, until the working people become more accustomed to annuities, but it will enable those that are far-seeing, to make provisions for their own old age on a basis on which they can not now get provisions through the commercial insurance companies. In that connection I wish to call your attention to the fact that Mr. Thomas I. Parkinson, the president of the Equitable Life Assurance Co., one of the largest of our commercial insurance companies, has issued a statement which was published in the press to the effect that he believes that the enactment of this legislation here contemplated, not only the voluntary annuity system but the compulsory annuity system, will prove as beneficial to the insurance companies as did the enactment of the War Risk Insurance Act—that it will make the public annuity minded, that it will actually tend to increase the business of the insurance companies rather than the reverse; that this is a measure which will be beneficial rather than damaging to the insurance companies. The commercial insurance companies are not in the field that we intend to cover through these voluntary annuities; they are not selling annuities in dribbles; they are not attempting to reach those classes of the public that we are attempting to reach.

Senator KING. I received a telegram—I regret that I do not have it with me this morning—from an insurance company indicating opposition to, I think, this feature of the bill, claiming that it would be very damaging if not destructive to the business of that corporation.

Mr. WITTE. Unquestionably there are insurance people who feel that way, but I would like to insert in the record, if I may, the statement of Mr. Parkinson.

(The document referred to is as follows:)

[Reprinted from the Philadelphia Record, Jan. 19, 1935]

THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES

(By Thomas I. Parkinson, President)

Just as the business of life insurance received tremendous impetus from the successful efforts of the Government to provide a sizable amount of insurance on the lives of all called to arms through the creation and development of the War Risk Bureau, so do I believe that social-insurance agitation forwarded by President Roosevelt and his official associates will result in renewed appreciation and great stimulation of life-insurance activities, both individual and group.

The citizens of the United States are the best insured people in the world. This insurance to date has been obtained through the action of the individual or by cooperation between the individual and the employer at the expense of the individual or at the joint expense of the individual and the employer.

The premiums for individual insurance have been described as self-imposed taxes paid for the purpose of protecting dependents or for providing against the vicissitudes of old age. Broadly speaking, all forms of life insurance are social insurance, but at no expense to the taxpayer and to the contrary and most contradictorily, grist in the mill of the public-tax collector.

These premium payers are the American type of men and women not seeking charity and therefore providing for themselves. This kind of insurance bulks

large as capital for the otherwise uncapitalized. Without capital and without insurance, relief in some form of charity, public or private, is necessary. Calling for relief come those who are seekers of charity; come the improvident, the incompetent and, most distressingly, the unfortunates. These might be described as the unemployables—in some not inconsiderable part voluntarily unemployable for reasons of their own and in larger part as unemployables for various other reasons.

For this class, social-insurance plans of organized old-age relief offer advantages, both to the individual and to the public who pay the price, over disorganized efforts at charity or relief, individual or institutional. This relief, even on the basis of mere subsistence, represents a heavy bill for the taxpayers, which bill would grow to a size that would defeat itself were it attempted to carry the amount of the relief beyond subsistence figures.

This group, which I have not too accurately classified as the unemployables, is not the group served by life insurance. They represent a group that are objects of charity and the fringe between such group and those who are capable of supporting themselves and desirous of doing so.

Insurance men are ready to lend their experience in the service of this social-insurance class by assisting in the formation of social-insurance measures along lines of sanity and workability. As an insurance man, I would say without hesitation that the efforts to provide through social-insurance measures a more self-respecting form of relief, a better budgeted charity program, will do much to arouse public interest in the whole subject of security. In doing this, that overwhelming number of upstanding men and women who represent the insurance field will be inspired to look more deeply into their insurance needs and to more completely provide security for themselves. Thus it is likely, in my judgment, that history will repeat itself and the impetus given to the cause of life insurance by the War Risk Bureau in putting a value of \$10,000 on the life of every enlisted man will be accentuated with the result that the present agitation for social-insurance measures will swell the volume of individual and group life insurance and annuities.

In doing this, the insurance companies and their agents will not only be benefited by an enhanced business, but the business itself will the better be able to muster to its support public appreciation of the tremendous national and community service rendered by life insurance supplied through premium-paying Americans who, wanting no charity, take care of themselves and those dependent on them.

This leads me to a final word which must be said despite the recognized necessity of heavy taxation, to wit, that a Government directing itself toward social-insurance relief and spending the taxpayers' money in humane measures to provide some form of security to those who have no other recourse is stupidly inconsistent in imposing the gross premium taxation on what might be described as the self-imposed taxes of the premium payer and what therefore has been accurately described as double taxation.

With reference to unemployment insurance, I need only restate that the term is a misnomer and that there is no insurance connected with the proposal. What is meant is unemployment reserves. The collection of these reserves in good times to tide over—as far as such reserves can be made reasonably to tide over—forms of temporary unemployment represents an enlightened way of preparing in time of plenty for the famine to come. In such respect unemployment reserves become a near relative to the insurance family. Measures of this kind, however, popularly discussed as unemployment insurance, are in no way an invasion of the field of the life insurance company.

It may be pointed out, however, that life-insurance policies represent ownership in reserves and, like all possessions, have been called upon in their cash-surrender values and in their loan values, as well as in the payment of principal from time to time by death or other form of maturity, to give service to the unemployed or to those whose fading finances would not be sufficient without this assistance to meet immediate requirements. Life insurance men are working for a secured world. They do yeoman work in providing sound insurance widely disseminated and economically and efficiently administered.

Mr. WITTE (continuing). There are insurance people who feel that this means competition. There are other insurance people who believe that this will not be damaging but that it will prove beneficial to the insurance companies. I think the same fears were expressed at the time of the passage of the War Risk Insurance Act, but it is now

generally recognized by insurance men that the effect of the War Risk Insurance Act was to stimulate the commercial life-insurance business. We expect that the commercial annuity business will likewise be stimulated through the enactment of legislation which will bring home to the people of this country the necessity for making provision for their old age. That is a matter of opinion, of course. No one can say definitely whether this will prove to be the case, or the reverse. There are people who are fearful that this means competition for the insurance companies, but there are also insurance men who hold the contrary view.

Senator BLACK. Doctor, may I ask you there, since you brought it up specially, and it might be interesting to know how well the private insurance companies have made the thing. Do you have a copy of the advertisement which I have seen frequently, which I think has been sent to me and delivered by insurance agents, showing the study that was made of the large group of people, starting as I recall at the age of 20, showing how few of them had a competence at the age of 65 either from insurance or any other cause.

Mr. WITTE. I have seen that statement.

Senator BLACK. Have you a copy of that?

Mr. WITTE. I do not believe I have, but I will try to locate it.

(The document referred to submitted by the witness for the record is as follows:)

[Reprinted from The Diamond Life Bulletin Service (1934 monthly bulletins) published by the National Life Underwriters, 420 East Fourth Street, Cincinnati, Ohio.]

Now, let's look at the situation of 100 average men according to the figures given by the American Bankers Association approving a special investigation of 20,000 old men, made by Joseph J. Devney, of Cleveland."

* * * * *

According to these figures, at age 65, 42 out of 100 men starting at age 25 have died, leaving 58 surviving. Of these 58, 8 are independent (or 14 percent of those surviving); 28 (or 48 percent) have no money but can work; 22 (or 38 percent) have no money and can't work.

Now let's look at the figures at age 75. By this time 67 have died out of the original 100. Only 3 of the remaining 33 have money (which is 9 percent); 14 (or 42 percent) have no money but can still work; 16 (or 49 percent) have no money and can't work.

Notice particularly that several who had money at age 65 evidently did not have it invested in an old man's investment, because the money didn't last.

* * * * *

Let me repeat these figures. They ought to make us all think.

At age 65 half of our hundred young men are still living and have no more money than they had when they started out 40 years before. They have no property at all, or not enough to support them without a job. Where do you suppose the money went? Of course, we don't know. But there's the picture: 50 out of 58 men left out of the original 100 are "broke" at 65.

Then look at age 75. Only 3 have money, and 30 have nothing at all to live on. The rest are dead.

Think of what this means. Even if we do have money here at age 35, and even if we think we're "sitting pretty"—we can't get away from these figures. This is life and these facts apply to every one of us, because if we live to be 60 or 65 we may be "broke" too, just like so many others. Even though we do make money in the meantime, we may lose out some place in between. There has certainly been enough experience with losses in the ordinary forms of property during the last 2 or 3 years to make us all "sit up and take notice."

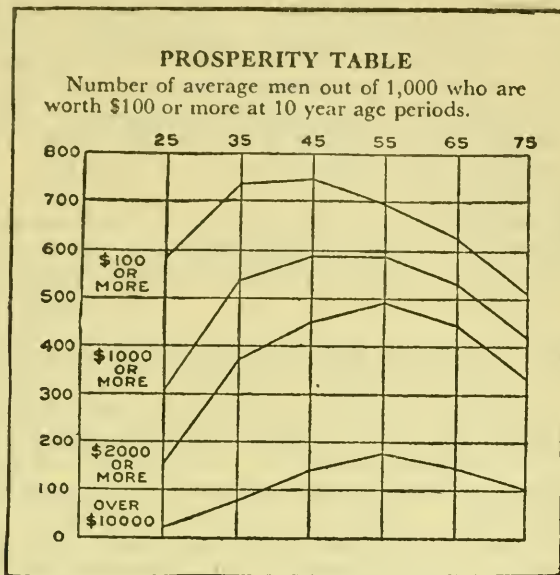
The number of men out of 1,000 alive at each 10-year age period who are worth \$100 or more increases until age 45 is reached, then it declines rapidly.

At 75 fewer men have at least \$100 than at 25—notwithstanding they have had 50 years in which to accumulate.

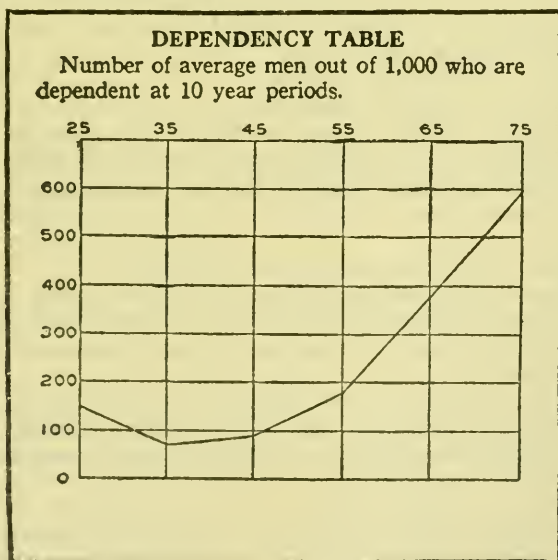
Those who have \$1,000 or more increase until 45, remain the same until 55, then decrease.

Those who have \$2,000 or more keep on increasing until 55 is reached, then decline.

Those who have more than \$10,000 increase until 55, then decrease, but less rapidly than those who have less.



All of which proves that the younger the average man begins to save and the greater his accumulations, the longer will his prosperity endure, and the less rapid will be his decline when he begins to slip.



Mr. Devney's figures, in the main, are corroborated by a very extensive survey made by the Pennsylvania commission in connection with their study of various systems of old-age pensions. Likewise the industrial welfare department of the National Civic Federation, made a survey including 14,815 persons over age 65; and Mr. Louis I. Dublin, statistician of the Metropolitan Life Insurance Co.,

with almost unlimited facilities for surveying the old-age dependency problem, has made careful investigations. All three agree in general with the figures above.

Senator BLACK. Do you have any study that you have prepared showing the number of people that have been taken care of by voluntary insurance, how many have not, so that we can reach some kind of an idea as to how successful it has been in that regard?

Mr. WITTE. I think it is conceded, Senator, that the commercial insurance companies are not in this field at all at the present time.

Senator BLACK. I am talking of all of the fields. What I was getting at was how many people have they reached? I know they have reached some, but I think it would be interesting if we had the exact figures so that we can study them. What percentage of the population has been made independent? In other words, has it been successful up to date to depend entirely upon the voluntary system in the fields that they do cover? If not, how much has this shown?

Mr. WITTE. The extent of the annuity business in this country is relatively small, but it has greatly increased in this period of depression so that the published figures are completely out of date. We acknowledge that people have during this depression become much more conscious of the necessity of making provision for old age than they ever were before, and the annuity business has become quite considerable in recent years. As to the commercial insurance companies, I think their experience has been rather adverse in the annuity field. They have been raising the rates I think twice within the last year on annuity policies. The experience has not been favorable, but the business has been expanding.

Senator BLACK. My question was not intended to be limited to annuities. If you can get and put it in the record, I would be glad if we could have the percentage of people who have been insured by straight life insurance.

Mr. WITTE. We can give you that.

Senator BLACK. And the percentage of people who have had health insurance, the percentage of people who have had accident insurance, and if you could get the study that was made showing the number that were dependent after 65 according to the investigations made by the insurance companies. I think it would be very interesting for this record.

Mr. WITTE. I think we can locate it, Senator.

As you have no further questions, I have concluded the discussion of old-age security, which is dealt with as I stated, in these three titles.

Senator KING. You have another branch that you would like to take up, I suppose?

Mr. WITTE. The bill, Senator, deals with four major subjects, and we have only dealt with one. Old-age security, unemployment compensation, security for children, and public-health services. All four of those are dealt with in this bill.

Senator KING. I think, Doctor, if it meets with the concurrence of my brethren here, we will suspend at this time, because you could scarcely get started on those other branches, and we want to get over to the Senate.

We will meet again tomorrow morning at 10 o'clock.

(Whereupon, at 11:50 a. m., the hearing was adjourned as noted; and thereupon the committee went into executive session and adjourned at 12 o'clock noon.)

ECONOMIC SECURITY ACT

THURSDAY, JANUARY 31, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in the Finance Committee Room, Senate Office Building, Senator Pat Harrison, chairman, presiding.

Present: Senators Harrison (chairman), King, Connally, Costigan, Byrd, Lonergan, Gerry, Guffey, Couzens, La Follette, Metcalf, and Capper.

The CHAIRMAN. The committee will come to order.

Mr. Witte, you may proceed where you left off yesterday.

STATEMENT OF EDWIN E. WITTE—Continued

Mr. WITTE. I would like to proceed with the next subject dealt with in the bill—unemployment compensation.

Senator COUZENS. Before you start that, Dr. Witte, may I ask if any consideration has been given by your committee to the care of the wholly disabled, such as the blind and the crippled and so on?

Mr. WITTE. We have in the bill, Senator, an appropriation under which the Federal Government will for the first time enter the picture with regard to the care, hospitalization, and physical restoration of crippled children. This is the only provision in the bill specifically for the handicapped.

Senator COUZENS. It has come to my attention that there are many, many thousands of blind who are wholly indigent, in addition to others who have both legs or both arms off or one leg and one arm, and it seems to me they are in a more pathetic situation than even the old or the aged people are.

Mr. WITTE. There is a great deal in what you say, Senator. However, because these people are the most unfortunate of all, the States have done more for them than for other groups that are also handicapped and also in distress at this time. There is no question that what is being done for these unfortunates in this country is not enough, and it may be that the Federal Government will ultimately have to enter that field, too. The great majority of the States have blind pension laws. They are inadequate in some respects, but after all, on the whole, very much more adequate than the old-age pension laws.

Senator COUZENS. Did your Committee give any study to the question as to that? That is what I wanted particularly to know.

Mr. WITTE. We have given very little study to it.

Senator COUZENS. So you have no information, no statistics, or no recommendations to make for that group of citizens?

Mr. WITTE. None directly. In our recommendations we stressed the importance of the work of vocational rehabilitation that is being carried on by the Division of Rehabilitation in the Office of Education. We called the attention of Congress to the importance of that type of work in a complete program of preventing destitution and dependency. Aside from that, Senator, we have hardly touched the problem.

Senator COUZENS. Is it practical to aline the work of those which I have just described with the work of crippled children or those crippled by infantile paralysis?

Mr. WITTE. I think you have in mind something like pensions laws for the blind——

Senator COUZENS. Yes.

Mr. WITTE. Which would require Federal aid. The States have pension laws for the blind very generally. Not all States, but the majority of the States, pay pensions to the blind who are unable to care for themselves, and Federal aid would be in the nature of a subsidy to the pensions granted by the States to the blind.

Senator COUZENS. Isn't that a part of your proposal so far as infantile paralysis cases are concerned?

Mr. WITTE. The infantile paralysis cases are cases of treatment and physical restoration.

Senator COUZENS. And do you propose to do that work?

Mr. WITTE. Through the States: through grants in aid. Eighteen States are in that picture now, including your State, I believe.

Senator COUZENS. But I see no practical objection to combining the activities, if they are both physically disabled, both the infantile paralysis cases and the armless and legless and blind.

Mr. WITTE. The one difficulty, Senator, is that the program that we contemplate for the crippled children is essentially medical and hospital treatment—physical restoration—whereas I take it with these adults that are disabled two things are vitally necessary: One is vocational training (in which the Federal Government is doing a notable work at the present time which should be extended), and the other is direct financial grants to certain of these people who are permanently disabled and beyond very much chance of being made self-supporting. That part of the program we have not touched.

Senator COUZENS. In your study have you any figures as to the extent of infantile paralysis cases that are permanent cases?

Mr. WITTE. We have figures showing that there are between 300,000 and 500,000 children under 16 that are cripples at the present time.

Senator COUZENS. Have you information as to the adults?

Mr. WITTE. Permanently disabled adults in the population range from 6 to 9 per thousand. We did give some thought, Senator, to the problem of invalidity insurance, which certain European countries have undertaken, but invalidity insurance presents such great difficulties that we felt that it was a subject that should be further studied by the Social Insurance Board. We may have to adopt invalidity insurance and in time probably will do so. The experience of the insurance companies with this type of insurance, however, has been very adverse. Invalidity insurance presents great difficulties. As an outright pension grant, I do not know how great the difficulties would be, but it would involve considerable financial aid by the Federal Government.

Senator COUZENS. The workmen's compensation acts do not take care of these permanently injured?

Mr. WITTE. They take inadequate care of them. Some compensation is paid for the permanent disability under all acts.

Senator COUZENS. For how long?

Mr. WITTE. That varies very greatly.

Senator COUZENS. None of them are for life, are they?

Mr. WITTE. Yes; some laws are on a life basis, that of the State of New York, for instance. The majority of them allow compensation only for limited periods.

Senator COUZENS. That is what I am afraid of. That does not do any permanent good for a permanently injured person in industry.

Mr. WITTE. It helps somewhat. The compensation acts are weakest in connection with that group of workers—the ones most seriously injured.

Senator COUZENS. That is what I understood.

Mr. WITTE. The pressure is always to give more money to the larger number who have minor injuries, because the ones who are seriously injured are a relatively small percentage. It is a very serious problem, Senator, and needs further study.

The CHAIRMAN. Let me ask you this. The head of the Public Health Service was on that Committee, Dr. Cummings?

Mr. WITTE. He was not on the Committee as such. We consulted with him.

The CHAIRMAN. Who took the most prominent part with reference to the matter that Senator Couzens has inquired about?

Mr. WITTE. The health problems?

The CHAIRMAN. Yes.

Mr. WITTE. The Public Health Service is within the Treasury Department, and the Secretary of the Treasury was a member of our committee, and Miss Josephine Roche, the Assistant Secretary of the Treasury, a member of our Technical Board. She took a very active part in our work.

Senator COUZENS. But the Secretary could not take any active part in the work?

Mr. WITTE. He attended nearly all meetings, but, of course, did not personally do the actual drafting of the legislation, or anything of that sort.

Senator COUZENS. That is just another step toward the bunk about transferring the authority to Government officials that do not exercise the authority granted.

Mr. WITTE. The Secretary of the Treasury took an active interest in our work.

The CHAIRMAN. And the head of the Public Health was drawn into the conferences, I assume?

Mr. WITTE. Certainly. And we had the chief statistician of the Public Health Service in charge of our public-health studies.

The CHAIRMAN. All right; proceed.

Mr. WITTE. Unemployment compensation is title 6 in the bill; it starts on page 34.

Before discussing the details of unemployment compensation as outlined in the bill, I would like to present the general concept which our committee has of unemployment compensation. The committee does not conceive of unemployment compensation as a complete

measure of protection against the hazards of unemployment. In no country of the world has unemployment compensation operated as a complete measure of protection and it cannot possibly so operate. The committee in its report——

Senator COUZENS (interposing). While you are on the point. You say that it is not the complete answer to the problem?

Mr. WITTE. No.

Senator COUZENS. What other step is a complete answer to the problem?

Mr. WITTE. In its report, the committee put first what we called "employment assurance." If I may use the figure of speech, unemployment compensation is a front line of defense for a majority of the employed population not for all employees. You cannot bring them all in, but especially in a period of a great depression, you need something that goes beyond unemployment compensation. Unemployment compensation can give only limited protection, regardless of how high you make the rates of contribution. You need something beyond that, and our committee called that "employment assurance." By employment assurance, the committee means a conscious policy on the part of the Government to stimulate private employment, and insofar as it can, to provide work for the unemployed when private employment slackens. This bill is not the complete program of the administration for dealing with the problem of unemployment. The work resolution now pending in the Senate is the other part of the program. The \$4,000,000,000 appropriation for a work program represents the major contribution of the Federal Government toward meeting the hazard of unemployment. I call your attention to the fact that this \$4,000,000,000 contribution coming out of general taxes is a larger contribution than any country in the world has ever made at any time for meeting the problem of unemployment.

In England, from 1920 to March 31, 1934 (which is their fiscal year), the Government contributed by way of contributions and loans to the unemployment-insurance funds a total of £350,000,000 in round numbers, which is less than \$2,000,000,000. That is the total governmental contribution that England has made to unemployment compensation, and of that sum, in excess of \$500,000,000—£100,000,000—is carried on the books as a loan which the fund is to repay to the exchequer.

The CHAIRMAN. That does not apply to any of the possessions? That is just as to England?

Mr. WITTE. That is to Great Britain. In the year ending March 31, 1934, the Government contributed £53,000,000 to the unemployment compensation fund; in our money, \$265,000,000.

In this works program, the Government is making a very large contribution from general taxes to the relief of unemployment. Our committee in its report conceives that the Government as a permanent policy should make, if I may use the term, "the maximization of employment" one of its major contributions toward economic security; that it should adopt the conscious policy of trying to stimulate private employment and providing public employment when great emergencies arise.

Senator COUZENS. Did your committee give any consideration to the fixing of an annual income for these workers and making it a charge against industry?

Mr. WITTE. I am not sure that I follow you, Senator.

Senator COUZENS. I say, did your committee give any consideration to giving the wage workers an annual salary and making that salary in itself a charge against the specific industry in which the worker was employed?

Mr. WITTE. If, Senator, all industry employed all workers on an annual salary basis, there would be no problem of unemployment compensation, or for that matter of unemployment. My salary is an annual salary; if I should not have work for a day, my pay would not stop, I have no problem of unemployment.

Senator COUZENS. I am not talking about that. I am asking you if you did give any consideration, your committee gave any consideration, to the practicability of making an annual wage, giving an annual wage to these workers in industry and making that a charge against industry?

Mr. WITTE. We felt that by legislation you cannot reverse the entire tide. We have in this bill provisions to encourage what we call guaranteed employment, which is essentially an annual salary idea.

Senator COUZENS. You did study it?

Mr. WITTE. Oh, yes; we studied it.

Senator COUZENS. But of course there is nothing in this bill about that?

Mr. WITTE. No, sir; and we do not think it can be done at this time by legislation. If industry adopted that policy of placing all of its employees on an annual salary basis as it does its executives and its top people, then there would not be any problem of unemployment.

Senator COUZENS. I understand that, and that is the reason I was trying to get at the root of it rather than the remedial schemes you have developed.

Mr. WITTE. If you could devise a method and industry could carry that load, it would be a solution; but nobody has actually worked out the plan, Senator.

Senator COUZENS. It is not so difficult?

Mr. WITTE. Coming back to the concept of unemployment compensation, we regard it as merely a measure to give a limited benefit to employees during a period while they have a reasonable opportunity to be taken back within a short time in their old positions. Unemployment compensation, if it is not to be mere relief, must be based on the contributions that are received. Unless the contribution rates are extremely high, the period during which compensation can be paid will necessarily be quite limited.

Based on the experience of the 20's, the period from 1922 to 1931, a 3-percent rate, such as is contemplated in the bill, would enable you to pay, with a 4-weeks waiting period, a benefit of 50 percent of the wage which was earned by this unemployed workman, with a maximum of \$15 a week for a maximum benefit period of only 16 weeks. That is the calculation based on unemployment of the period from 1922 to 1931. A 4-percent rate would give you a maximum benefit period of 26 weeks, a 5-percent rate of 38 weeks.

Those figures have to be understood correctly to get the real picture. The great majority of workmen who lose their jobs even in a period of depression are not unemployed for longer periods than 16 weeks. The great majority of the workmen usually get back to their old employment or get other jobs before the end of 16 weeks;

but in a severe depression there are always a considerable number who do not get jobs during this period. Unless we make unemployment compensation mere relief, you will reach a time when the compensation will cease and when the worker will need some other measure of protection. That is the way in which unemployment compensation laws have been constructed in every part of the world.

In England, for a time, compensation and relief were commingled. Since 1931 they have again been sharply separated. Unemployment compensation is a limited benefit given as a matter of right, without taking into account the needs or means of the person, whereas relief in every form always takes into account whether the person needs public assistance for support. Unemployment compensation as we conceive it is something that the man should get in cash during such a period as can be paid for by the contributions. What contribution rate you wish to establish is within your control. The higher the contribution rate, of course the longer the benefit period can be.

Senator COSTIGAN. Doctor Witte, do the old-age pension provisions in the bill rest on the means test?

Mr. WITTE. The pensions, but not the annuities. Old-age assistance is based on a means test entirely. We do not propose to pay gratuitous pensions to people who do not need them; no country in the world has ever done that. No country can afford to pay gratuities on any basis other than actual need.

But unemployment compensation is conceived of as a contractual right, as distinguished from payment on a needs basis.

I want to elaborate this point for just a moment if I may; that the average worker does not remain unemployed for 16 weeks or any such period. While there are in periods of depression a great many people who do exhaust their benefits, even a limited benefit is of great value. In England a survey was made of the entire group of the insured workers in November and December 1932. In that year, which was a year of severe depression, of 12,000,000 insured workers, 350,000 had been unemployed the entire year. Of all persons who were on the registers at the end of December 1932 and who had been on continuously in the insurance in the 8 years then ending—which for England was a period of continuous depression—32 percent had never been unemployed sufficiently long to draw any benefits, although the British waiting period is only 26 days, and 62½ percent had drawn benefits for less than 10 percent of the time they were insured.

Senator LA FOLLETTE. You mean less than 10 percent of the total time that they would be entitled to that they had been unemployed?

Mr. WITTE. Yes; 81.5 percent for less than 20 percent of the time, and only 2.4 percent had drawn benefits for 50 percent of the entire period.

Most unemployment in normal periods is for comparatively short periods. There are, however, even in normal times some people who will exhaust their benefits particularly in industries which are seriously depressed. There were such badly depressed industries in this country during the prosperity of the twenties. In those industries there would have been even then many people even with a 6 or 8 percent rate of contribution who would have exhausted their benefits.

Senator COSTIGAN. How does the proposed system work in industries characterized by seasonal employment or unemployment?

Mr. WITTE. Unless special precautions or special measures of protection are adopted, the seasonal industries will draw unduly

heavily on the funds. That has been one of the difficulties in England. Since 1931, the English law provides that for seasonal industries, only unemployment which occurs within the normal season of the industry shall be compensated.

I was in the House of Commons when this bill of 1931 was debated, and I recall that the fishing industry of Scotland was brought into the discussion. On the islands of Scotland there is a very considerable fishing industry. What was happening was that these fishermen would work through the season and then at the end they would all draw unemployment compensation, every year, because there was no other industry up there except fishing. As the law now stands in England and as it should be devised in this country, the compensation should cover only the period of the normal season of the industry, otherwise the funds cannot remain solvent.

Senator COSTIGAN. Does the bill specifically provide for that?

Mr. WITTE. The bill leaves the matter of benefits entirely up to the States. We recommend in our report that precautions be taken by the States to guard against what we call overliberality—provisions under which every conceivable worker who can possibly be brought under unemployment compensation is brought in on the most liberal terms that you can conceive. The danger will not be that benefits inadequate or too meager for the funds will be paid in this country, but that we will make the same errors that the other countries have made in being overliberal.

The CHAIRMAN. Doctor Witte, of course there was quite a good deal of discussion in the committee with reference to the employee contributing toward the fund?

Mr. WITTE. Certainly.

The CHAIRMAN. And sharp differences of opinion arose with reference to that issue?

Mr. WITTE. In the committee itself?

The CHAIRMAN. Yes.

Mr. WITTE. Not in our committee. Our committee concluded that that question could best be handled by the States. In the various advisory groups, the question was taken up and there were differences of opinion.

The CHAIRMAN. But in this legislation you propose to tax the employer the 3 or the 1 or the 2 percent or whatever it may be according to business conditions, and not the employee? That is right, isn't it?

Mr. WITTE. Yes, sir.

The CHAIRMAN. Were there any votes taken in the committee on that issue?

Mr. WITTE. On the issue of what?

The CHAIRMAN. Whether the employee should contribute.

Mr. WITTE. Whether he should be compelled by Federal law to contribute?

The CHAIRMAN. Yes.

Mr. WITTE. It was discussed. There was not much sentiment in the committee for such a plan. The general thought was that the matter should be left to the States.

The CHAIRMAN. Can you under this bill leave that matter to the States?

Mr. WITTE. Yes; the States can add to the 3 percent rate paid by the employers, a contribution by the employees, if they wish.

The CHAIRMAN. But the Federal Government in putting the tax on, put it on the employer?

Mr. WITTE. That is correct, Senator, but the States collect the unemployment contributions and the States may, if they see fit, add a contribution by the employee, and presumably some States will. Mr. Green in his testimony the other day urged you to adopt a standard to the effect that the States may not require employee contributions. That is permitted under our bill, if the States see fit to do it. In Mr. Green's State of Ohio, the Federation of Labor is on record for employee contributions, and in that State presumably employee contributions will be added to the employer contributions, with the net result that the benefits can be made more liberal.

For purposes of the record, I want to put in at this point figures which appear in our report but which I think should be made clear. On the basis outlined in the bill which brings in all employees who employ four or more employees, approximately 16,000,000 workers would have been covered in the year 1933, which was, as you appreciate, a year of slack employment. If there had been full employment in that year, somewhere between 25,000,000 and 26,000,000 workers would have been covered. The coverage is narrower than under the old-age annuity system, because we are putting in the limit of four or more. The coverage extends to approximately three-quarters of the employed workers, and approximately one-half of the people gainfully employed.

In 1933, on the basis of the pay rolls of 1933, a 3-percent contribution rate would have yielded somewhere around one-half billion dollars of revenue. On the basis of the pay rolls of 1929, it would have yielded a billion dollars, or slightly more than that. If a system of unemployment compensation had been in vogue from 1922 on, beginning with the pick up of 1922, by 1929 something like two billion or two and a half billion dollars would have been accumulated, which would have been available for the payment of compensation in the first part of the depression period. That fund could not have remained solvent on a 3-percent contribution rate without greatly reducing benefits. In every country of the world, the unemployment compensation funds have been aided by the governments in this depression period, with the exception of Germany and Italy where the benefit rates and the benefit periods have been cut down so greatly that not very much remains of the system except the machinery. In Germany at the present time with a 6-percent contribution rate, the normal benefit period is only 6 weeks. In Italy, I think, it is 2 weeks.

Senator COUZENS. How do you arrive at four as the figure included in the bill? Is that an arbitrary number?

Mr. WITTE. Yes; it is an arbitrary number. It is quite common in workmen's compensation acts.

Senator COUZENS. In other countries?

Mr. WITTE. In other countries the numerical limitations do not exist. There is no foreign country that has introduced numerical limitations; they reach everybody. In this country the numerical limitation has been very common. It exists in all but one of our workmen's compensation laws, and we deem it advisable at least at the outset. Administrative problems become very great when you attempt to eliminate all numerical limitations. The number of employers to be dealt with is enormously increased when you include

all of the small employers, without increasing the number of employees anywhere near the same proportion. The Census does not distinguish between how many employers there are with four or more, but it gives figures as to the number of employers who have more than five. Eighty-five percent of all retail establishments employ five or less employees, but they have only 25 percent of the total number of employees in the retail establishments.

Senator KING. About one-quarter you mean in retail, or the entire number?

Mr. WITTE. In the retail industry. One-half of all the manufacturing establishments in this country employ five or less employees, but they have only 3.1 percent of the wage earners in manufacturing. It is a question of balancing complete coverage against the administrative difficulties that develop. Our thought has been that there are enough administrative, serious administrative problems to be coped with in the first years of such an act, without trying to include all employers.

The CHAIRMAN. Have you given much thought to the proposition that agriculture should be excluded from this bill?

Mr. WITTE. Agriculture is quite customarily excluded from workmen's compensation acts. Our committee felt that agriculture should not be excluded as an industry—that the large agricultural operations should be covered; but that is a question of policy for the Congress. Under workmen's compensation acts, agriculture and domestic service are generally excluded, regardless of the number of employees.

Senator KING. But this would not exclude domestic service where the employer employed more than four?

Mr. WITTE. The way the bill stands, Senator, it covers *every* employer regardless of the industry, who employs four or *more* persons. The exceptions are governmental units and industries for which the Congress may by law establish special systems of unemployment compensation. At this time we are thinking of the railroad workers. The railroad workers are interested in presenting to you at a later date a plan of unemployment compensation to cover that industry especially.

The CHAIRMAN. Excepting Secretary of Agriculture Wallace, he was on this committee?

Mr. WITTE. Yes.

The CHAIRMAN. Was there anybody else on the committee especially trained in agriculture?

Mr. WITTE. Of the members of the committee, no sir.

The CHAIRMAN. That is what I mean.

Mr. WITTE. He represented the point of view of agriculture.

The CHAIRMAN. And it was his opinion that agriculture should be included?

Mr. WITTE. He signed the report with the rest of the members.

The CHAIRMAN. Was there any discussion on that question?

Mr. WITTE. Oh, yes.

The CHAIRMAN. A great deal?

Mr. WITTE. Yes, sir.

The CHAIRMAN. No vote was taken on it in the committee?

Mr. WITTE. The committee was a committee of five members, and you take relatively few formal votes in a group of five members, as I think you understand.

The CHAIRMAN. How about the advisory committee? They took several votes?

Mr. WITTE. They took informal votes. They never took recorded votes, either.

The CHAIRMAN. I understood from some witness—I do not know whether it was you or not—that we put in the record these votes that were cast by the different members of that committee on certain questions. And this question of agriculture is liable to arise, and I just wanted to get what the viewpoint of the committee was, of the various committee members, or the advisory committee members on that.

Mr. WITTE. The advisory committee had on it Mr. Tabor, the master of the Grange.

The CHAIRMAN. Do you know what his position was?

Mr. WITTE. On this point?

The CHAIRMAN. Yes.

Mr. WITTE. I never heard it discussed by him. The advisory council as such paid very little attention to this question.

Senator KING. They accepted the views of the committee?

Mr. WITTE. No; the procedure was that the committee did not make up its report until after the advisory council had acted.

The CHAIRMAN. Go ahead, Doctor.

Senator COUZENS. When you arrived at 4, did you have to have that as a continuous employment throughout the year, or can it be 2 at one part of the year and 4 at another, or how did you arrive at that?

Mr. WITTE. The bill provides that for purposes of the Federal tax, the employer shall be under the act if during any 13 weeks of the year, he employed 4 persons.

Senator COUZENS. Thirteen weeks?

Mr. WITTE. He must have had 13 weeks in which he employed 4 persons, not necessarily the same persons, but from his pay rolls it must appear that for one-quarter of the year at least, he had as many as 4 employees.

Senator COSTIGAN. Does that imply 13 consecutive weeks?

Mr. WITTE. No sir; any 13 weeks of the year.

Senator COUZENS. That is the calendar year?

Mr. WITTE. The calendar year is the basis of the tax, and the basis for determining the liability to this Federal tax.

This bill contemplates what the committee has called a "cooperative Federal-State" system. It contemplates that the unemployment compensation laws shall be enacted by the States and administered by the States. The Federal Government participates to make it possible for the States to act. The Democratic national platform was mentioned yesterday. The Democratic national platform of 1932 pledges the Democratic Party to the enactment of unemployment-compensation and old-age-pension laws by the States. I think the program here presented is in fulfillment of that pledge. The States cannot act—experience has shown that amply—the States cannot act unless the competitive disadvantage to which the employers within a given State are subjected by having an unemployment compensation law while neighboring States do not, is removed.

The CHAIRMAN. Do you think the spirit of that part of the platform is carried out?

Mr. WITTE. Yes, sir.

The CHAIRMAN. When the prescription is made from Washington with reference to the character of legislation that must be passed by the States, and with reference to the character of people who must be appointed to administer the law in that State?

Mr. WITTE. There is a minimum of control in this proposal. If this meant, Senator, complete control from Washington, obviously, it would not be a fulfillment of that pledge.

The CHAIRMAN. It means this, doesn't it, that whatever is done by the States must be approved by the administrator here who is administering the law?

Mr. WITTE. Not in everything that is done, but the law must conform to certain minimum standards and our committee has been criticized severely for not having enough standards.

The CHAIRMAN. That is one of the important questions that is proposed by this legislation.

Mr. WITTE. Yes, sir.

Senator BYRD. May I ask whether we are discussing old-age pensions?

The CHAIRMAN. No; this is unemployment insurance. I notice that positions in the administration of the unemployment compensation law in each case are filled by persons appointed on a nonpartisan basis. That is one of the prescriptions, isn't it?

Mr. WITTE. Yes, sir; that is in the bill.

The CHAIRMAN. In other words, on the theory that the State was to administer the law within that State; is that right?

Mr. WITTE. To that extent there is control employment of personnel on a nonpartisan basis and selection on a merit system—that is the requirement of the bill itself.

Senator BYRD. Who makes the appointments?

Mr. WITTE. The State.

Senator BYRD. Subject to confirmation by the administrator?

Mr. WITTE. No, sir.

The CHAIRMAN. They must carry out that standard fully?

Mr. WITTE. Yes, sir.

The CHAIRMAN. They must be appointed on a nonpartisan basis?

Mr. WITTE. Yes, sir.

The CHAIRMAN. Who is to judge that nonpartisanship basis?

Senator KING. The State.

The CHAIRMAN. The State; but it must receive the approval here, is that right?

Mr. WITTE. The administrative agency, in this case the social insurance board, must pass upon the question whether the State law conforms with the requirements that are laid down in the statute.

The CHAIRMAN. So if the law is passed the administrator, or the social insurance board here, would have the right to look into the character of the appointments in the States to administer the law in the States?

Mr. WITTE. Perhaps, to some extent. That particular provision, Senator, occurs in a portion of the bill which relates to the administrative fund. This does not go into the question of the approval of the whole law. It relates to the portion of the bill under which grants are made to the States for administration costs.

The CHAIRMAN. Doctor, the bill says that "no allotment shall be made or installment paid to a State," except on certain conditions and requirements.

Mr. WITTE. Yes, sir.

The CHAIRMAN. That is one of the requirements?

Mr. WITTE. Yes, sir.

The CHAIRMAN (reading):

All positions in the administration of the unemployment compensation law of such State are filled by persons appointed on a nonpartisan basis, and selected on the basis of merits under rules and regulations prescribed or approved by the board.

Your committee feels that that power should be granted?

Mr. WITTE. The committee makes that recommendation.

Senator BYRD. What is the nonpartisan basis? Is it half Republicans and half Democrats?

The CHAIRMAN. You could not get such a board in my State, Senator.

Mr. WITTE. I do not think it means that, Senator. There is no such standard.

Senator BYRD. When we speak of nonpartisan boards in States we speak of giving representation to different parties. It means then that you would have so many Democrats, so many Republicans, so many Socialists, so many Communists, so many Prohibitionists, and the other parties on the board?

Mr. WITTE. That is not my understanding, Senator. I think the civil service of the Federal Government meets this requirement. Under the civil service law the number of civil service employees is not determined on any such basis.

Senator KING. You attempted, did you not, Doctor, in the drafting of these provisions of the bill, to recognize the fact that the States did have some rights?

Mr. WITTE. That is the essential purpose of it.

Senator BYRD. You recognize the rights of the States to start with, but you then give your board power to veto what the States have done?

Mr. WITTE. On this matter of the standards to be prescribed our recommendations will be criticized, as they have already been criticized before you, on the ground that the standards are too few, and they will be criticized on the ground that the standards are too many. What standards shall be prescribed is, of course, a matter for the decision of the Congress.

Senator BYRD. What would be your standard of a nonpartisan board?

Mr. WITTE. There is no provision that the board shall be nonpartisan in the sense in which you described it. The provision is that the employees shall be selected on a nonpartisan basis—substantially a civil-service basis—such as you are familiar with in Federal administration, and as now exists in a considerable number of States.

Senator BYRD. Are you going to put them under civil service?

Mr. WITTE. You cannot literally put all of them under civil service. If the State has no civil-service law, the State might have some other method of selecting people for these positions on the basis of merit. If it has a formal civil-service law, the selections would be made in accord with the provisions of such law.

Senator BYRD. Suppose you have a Democratic State and they were selected on merit, in other words, each individual selected was fully competent to perform the duties of that position and they were all Democrats, would that be on a nonpartisan basis?

Mr. WITTE. Certainly.

Senator BYRD. Why do you not cut out the nonpartisanship there and put it on the basis of efficiency?

Mr. WITTE. That, I think, would be entirely agreeable.

Senator BYRD. That would make it much clearer. When you speak of nonpartisanship you call attention to the different political parties.

Senator GUFFEY. Doctor, do you think there is such a thing as a nonpartisan board or a nonpartisan service?

Mr. WITTE. I think so, yes. That is a matter of opinion.

The CHAIRMAN. We are just trying to find out what is in the bill.

Senator KING. Doctor, may I ask you a question. I think probably you may have covered it. Was the matter debated or considered by the committee formulating this bill as to the question of whether the business was intrastate or interstate, and whether there could be any challenge to the constitutionality of the act if they attempted to enforce the provisions relating to this section of the bill upon industries or employers which were and who are engaged solely in intrastate activities?

Mr. WITTE. You mean the Federal tax?

Senator KING. Yes.

Mr. WITTE. That rests upon the taxing power of the Government, not on the power of regulating interstate commerce. As you are aware, Senator, you tax employers regardless of whether they are engaged in interstate or intrastate commerce. If you devised a national system of unemployment insurance and actually vested the administration of an unemployment insurance system in the hands of the National Government, you could not rest it on the taxing power alone. You would have the question of whether you were regulating interstate commerce, but, I think, that question does not arise under the plan we submit.

Senator KING. At any rate, that question is confusing to us. Have you considered the constitutionality of this legislation?

Mr. WITTE. Certainly. We had the Attorney General as a member of the committee.

Senator CONNALLY. You say it is dependent on the taxing power. You mean we can do anything so long as we levy the tax?

Mr. WITTE. You have wide discretion under the taxing power. You are not confined to taxing only industries that are engaged in interstate commerce.

Senator CONNALLY. We do not have the power, of course, to tax if there is any other way to do it. Just because we can tax does not necessarily mean that we can tax for anything that we want to tax.

Mr. WITTE. No, sir.

Senator COUZENS. Do you not think the limitation of four employees is unconstitutional, where you can exempt one employer and not exempt another employer?

Mr. WITTE. The same limitation, Senator, occurs in the workmen's compensation acts. The decisions of this country have uniformly sustained that as a reasonable classification.

Senator COUZENS. You are relying on State constitutions for that because the Federal Government does not engage in workmen's compensation laws, so far as the States are concerned. If you are going to exempt one class of employers under this act how can you defend your position that this is an equal taxation?

Mr. WITTE. I am hardly qualified to discuss that, Senator, but I think you have ample precedents in your Federal taxation legislation for taxation of limited groups. You are not required to tax everybody if you have reasonable classifications. The question is whether this is a reasonable classification. An exclusion from a tax law of a group from whom you would collect less money than the cost of collection, for instance, would be a reasonable classification. As I said, I am hardly qualified to discuss that, but I think that the point can be answered.

The CHAIRMAN. We make certain exemptions in the matter of taxation.

Mr. WITTE. Certainly.

Senator COSTIGAN. Dr. Witte, if you have already answered this question it is not necessary to repeat your reply. Have you indicated how closely the committee was divided in its recommendation of the unemployment program provided in this bill?

Mr. WITTE. At this point I think I ought to make very clear the organization of the committee and its functioning. I would like to answer that question quite fully, if I may.

Senator COSTIGAN. I should like to know also what program the minority of the committee favored.

Mr. WITTE. The Committee on Economic Security was created by an Executive order of June 29. That committee consisted of the Secretary of Labor, the Secretary of the Treasury, the Attorney General, the Secretary of Agriculture, and the Federal Emergency Relief Administrator. That committee made a unanimous report; there was no minority report. That is the only committee that was asked by the President to make any report. That committee made a unanimous report, which was presented by the President to the Congress, with his endorsement of the recommendations contained therein.

Senator COSTIGAN. There was a committee which reported to that committee, was there not?

Mr. WITTE. There were various advisory groups. The first advisory group provided for in the Executive order was the Technical Board. This is a Board which worked with the committee throughout in devising the recommendations on which this bill is based. The Technical Board was constituted of 20 employees in the Government service. That Board functioned largely through subcommittees. We had a subcommittee on unemployment compensation, the chairman of which was Dr. Alvin H. Hansen, of the State Department, one of the outstanding authorities in this country on unemployment compensation, who made an extended study of this subject in the State of Minnesota before he entered the Federal service. Another member was Dr. William M. Leiserson, perhaps the best known authority on unemployment compensation in the entire country, former chairman of the Ohio Unemployment Compensation Commission; Thomas H. Eliot, the counsel of the Committee on Economic Security; Dr. Jacob Viner, the assistant to the Secretary of the Treasury, and Mr. Jensen of the Department of Commerce. Members of the Technical Board will testify before you as witnesses. That Board joins this committee in all its recommendations on this subject.

We had another group brought in strictly in an advisory capacity—the Advisory Council composed of 23 citizens. All these committees

are listed in the appendix to the report of the committee, which has been presented to the Congress. The Advisory Council was brought in to give practical advice to the committee. It was not constituted of specialists but of laymen. It was brought in at the stage when the staff, in cooperation with the Technical Board, had worked out tentative proposals. The Advisory Council held meetings which extended over a period of about a month. They came back to Washington four times, and held meetings lasting usually for 2 or 3 days. A subcommittee held other meetings in the interim. The Advisory Council filed a report with the Cabinet committee, if I may so call the Committee on Economic Security. The advisory council took informal votes, no formal votes. A vote of 9 to 7 was reported in the newspapers on the so-called "subsidy system" in connection with unemployment compensation. This vote of the Advisory Council in some manner reached the newspapers, although the meetings of the council were all executive sessions. A leading newspaper gave the names of the nine members who are supposed to have voted for the subsidy system, but did not mention the seven stated to be opposed and did not mention that six members were absent or did not vote. There was no roll call vote, but there was a vote of 9 to 7 for the subsidy system by a show of hands. That was not the final action of the Advisory Council. The final action of the Advisory Council is given in this report that I would like to file with you.

The CHAIRMAN. Is it signed?

Mr. WITTE. It is not signed at all.

The CHAIRMAN. That represents the view of the majority of the advisory council?

Mr. WITTE. The Advisory Council's report on many points, just as on this point, is a statement of both positions, and a statement that some members thought this way and some members thought that way. Many of the members of the Advisory Council filed supplemental statements. Our committee advised the members of the Advisory Council that it desired their advice, that it did not desire a formal report, that it would give consideration to the views of the individual members of the council no less than to the views of any group, and the council operated on that basis.

The CHAIRMAN. Now, Doctor, the report of the committee and the recommendations of the committee have been put in the record?

Mr. WITTE. Yes, sir.

The CHAIRMAN. That is printed?

Mr. WITTE. Yes, sir.

The CHAIRMAN. I am wondering whether this report, with the statement of the positions of both sides of the Advisory Committee, has been printed?

Mr. WITTE. It has not been printed. The Advisory Council made a formal report, which is not signed, but presented a composite of the views of all of the members. In addition, some of the individual members of the council filed supplemental statements and wrote letters to the committee; and some of them gave their advice orally.

The CHAIRMAN. Have you those?

Mr. WITTE. The formal statements could be filed.

The CHAIRMAN. How about this report?

Mr. WITTE. We will be glad to file this entire report.

The CHAIRMAN. I think it ought to be filed, because what the committee wants is every position on this proposition that it can get.

Mr. WITTE. Certainly, if you desire it, we will file it. We desire to present everything to you that we have and that you may want.

(The document referred to is as follows:)

REPORT OF THE ADVISORY COUNCIL TO THE COMMITTEE ON ECONOMIC SECURITY, DECEMBER 18, 1934

Part I. Unemployment Compensation.

II. Old-Age Security.

III. Security for Children.

IV. Employment and Relief.

V. Risks to Economic Security Arising Out of Ill Health.

Members of the advisory council: Frank P. Graham, chairman; Paul Kellogg, vice chairman; Grace Abbott; George Berry; Mary Dewson; Marion B. Folsom; William Green; Helen Hall; George M. Harrison; Joel D. Hunter; Morris E. Leeds; Sam Lewisohn; Raymond Moley; Elizabeth Morrissey; George H. Nordlin; Henry Ohl, Jr.; Right Reverend John A. Ryan; Paul Scharrenberg; Belle Sherwin; Gerard Swope; Louis J. Taber; Walter C. Teagle; Gov. John G. Winant.

PART I. UNEMPLOYMENT COMPENSATION

All members of the Advisory Council join with the President in holding that legislation for unemployment compensation, on as nearly a Nation-wide basis as possible, should be enacted this winter.

We support his statement to the National Conference on Economic Security that "unemployment insurance must be set up with the purpose of decreasing rather than increasing unemployment." While we believe that the States should be permitted a large freedom in choosing the type of plan they establish, we strongly recommend that the Committee on Economic Security, in considering Federal legislation, and that the States in considering State legislation, keep in mind these two principal objectives:

(1) The plan should promote security by providing compensation for workers who are laid off.

(2) The plan should serve as an incentive to employers to provide steady work and to prevent unemployment.

We regard it as settled that unemployment compensation at this time should be developed along Federal-State lines. In this cooperative undertaking the Federal Government must assume the leadership. It should make it easier for the States to act by removing those disadvantages in interstate competition which are always raised against purely State legislation that involves costs to industry. This knot should be cut by requiring industries in all States (whether the States enact unemployment compensation laws or not) to make uniform pay-roll contributions. The Federal government should enact a law prescribing minimum standards, and should actively assist the States in preparing necessary State legislation and in getting their plans into operation. The Federal Government should set up an administrative authority, and as suggested by the President, should assume responsibility for the safeguarding of all unemployment reserve funds and use these funds to promote stabilization.

The States for their part must assume responsibility for State administration. Unemployment compensation benefits must necessarily be locally administered and no large bureaucracy in Washington need be created if this principle is observed. Subject to necessary minimum standards prescribed in the Federal law, wide latitude should be allowed the States to experiment with respect to the particular form and provisions of the unemployment compensation laws which they may enact. Such laws should, however, be completely divorced from relief.

The Advisory Council makes the following specific recommendations:

Type of Federal legislation.—The Council adopted a motion recommending:

(1) A Federal pay-roll tax.

(2) An independent act providing grants-in-aid to the States for unemployment compensation and employment stabilization, and similar grants-in-aid to industry and plant accounts, conforming to the provision and standards of this Federal act.

The motion also recommended that the Federal law shall include a stipulation to the effect that no State shall receive such grants until its State law providing for unemployment compensation is in effect, together with any other feasible provisions designed to stimulate prompt State action.

The majority favoring the Federal tax and Federal grants-in-aid type of legislation did so because they believed this type of legislation would have advantages:

(a) In dealing on a Nation-wide basis with situations which cross and transcend State boundaries.

(b) In establishing and maintaining throughout this country the essential minimum standards.

(c) In removing all obstacles to bring the reserve funds into Federal control.

(d) In that it would run less risk of unconstitutionality compared with the Wagner-Lewis type of legislation when the latter is equally equipped with provisions of minimum standards for the States.

(e) In that Federal collection and Federal control of funds through the power to allow or disallow grants, would be an important element in National control.

(f) In that it would lend itself more readily to developing a national system should that become advisable.

The minority favoring the Wagner-Lewis type of law believes that it is a general Federal-State measure, utilizing traditional American methods and local machinery in the administration of labor laws, and has the following advantages:

(a) It permits experimentation by the States as to the type of State law to be adopted, waiting periods, the amount and duration of benefits, and as to other matters in which experimentation is desirable.

(b) It secures uniformity where uniformity is essential, namely, the equalization of competitive costs.

(c) It permits the requirement of all essential uniform standards, such as that the money collected must be spent for unemployment benefits, the custody of the funds, and others.

(d) It secures the advantages of Federal supervision with decentralization of administration, and local responsibility.

(e) It avoids the hazards of an annual appropriation by Congress.

(f) It raises substantially the same constitutional questions as the subsidy type of bill, but has the great merit that should it be held unconstitutional, the State laws would be complete in themselves and would remain operative.

(g) It will result in Federal and State legislation this winter, while 44 State legislatures are meeting and there is strong public support, which is doubtful under the subsidy plan, particularly if many detailed standards to which the State laws must conform are inserted in the Federal act.

All of the members recognized that each type of Federal law has distinct merits, and wished their votes to be interpreted not as necessarily opposing either type of law, but as preferring one to the other.

Types of State laws.—We recommend that States be permitted to adopt any one of four types as follows:

(a) State-wide pooling of funds with or without adjustment of contribution rates according to experience.

(b) Separate accounts for any employer or group of employers who may wish to establish them, provided financial guarantees, in such manner as the State administrative agency may require, are given equal to 15 percent of their average annual pay roll during the preceding five years or two years, whichever is higher. A pooled account for all other employers, with adjustment of contribution rates according to experience.

(c) Separate accounts for any employer or group of employers who may wish to establish them, provided contributions of not less than 1 percent of the pay roll are made to the pooled account. All other income is to be pooled in such account. Financial guarantees may be required for the amount which is to be kept in the separate accounts.

(d) Separate accounts for all employers (or groups of employers) provided contributions of not less than 1 percent of the pay roll are made to a State fund.¹

Interstate industrial and company accounts.—Interstate industrial and company accounts which will be exempt from the requirements of State laws, except as hereafter stated, and which will be administered under rules and regulations to be prescribed by the Federal administrative agency, should be authorized in the Federal act, subject to the following conditions:

(1) Only industries and employers who have a substantial number of employees in each of two or more States, shall be permitted to establish interstate accounts.

(2) Interstate industrial and company accounts must make a contribution of 1 percent on their pay roll to the pooled State accounts of States in which they operate having such accounts.

¹ A motion to permit a fifth type, permitting separate accounts for all employers without either guarantee or contributions to any State fund was voted down.

(3) Interstate industrial and company accounts must give as liberal benefits in each State in which they operate as required by the law of that State.

(4) Interstate industrial and company accounts must have the approval of each State in which they operate.

(5) Interstate industrial and company accounts may be set up only with the approval of the Federal administrative authority.

Reinsurance (equalization) fund.—While it is very desirable that there should be a Federal reinsurance fund in order to give equivalent protection to unemployed workers in all States and industries, the practical difficulties are such that the Advisory Council is satisfied that it cannot be set up at this time. We recommend, however, that the Federal administrative authority study this subject.

STANDARDS IN FEDERAL AND STATE LAWS

Coverage.—The Federal acts should apply to all employers who employ directly, or indirectly through subcontractors not subject to the law, six or more employees during any 13 weeks of the preceding year; excluding, however, employees not engaged in the usual trade, business, profession, or occupation of the employer. The States should be required to have at least as broad a coverage as that prescribed in the Federal law. However, any employment for which a separate system of unemployment compensation may be established by Federal law should be excluded. Public employees of States, counties, and cities should be made eligible to unemployment compensation on the same basis as the employees of private employers. Only the first \$50 of the salary or wage of employees covered by the act is to be included in the computation of the Federal tax.

A broader coverage than that suggested is deemed desirable by the advisory council, but practical considerations lead us to recommend that it be limited as above outlined in inaugurating the system. We recommend, however, that the Federal administrative authority study the problem of extending the coverage to the employers of less than six employees. We recommend also that it work out plans for unemployment compensation to the employees of the Federal Government, especially those employed directly on construction or other work projects.

A. Types of unemployment benefited.—(1) Total loss of weekly wages caused by lack of work, or partial loss of weekly wages caused by lack of work amounting over a 4-week period to an average of more than 50 percent of the normal full-time weekly earnings.

(2) Unemployment occurring in the regular work season of the year in trades in which regularly recurrent periods of slackness occur (the uncompensated slack periods to be designated by the competent administrative agency).

B. Types of unemployment not benefited.—(1) Unemployment of persons directly engaged in trade disputes for duration of dispute.

(2) Unemployment caused by discharge for proved misconduct.

(3) Voluntary quit without reasonable cause may be uncompensated entirely or for such period as the plan may designate.

(4) Unemployment during which workmen's compensation or other compulsory cash benefits are received.

C. Eligibility.—1. Fulfillment of the following qualifying periods:

(a) Employment of not less than 40 weeks in 24 months preceding claim.

(b) Employment not less than 10 weeks after maximum duration of benefits in a 12-month period is drawn.

2. Registration at public employment office or other designated place and at times stated.

3. Able to work and available for work.

4. Unable to find suitable employment. Suitable employment means employment for which the insured is reasonably fitted, and located within a reasonable distance. No otherwise eligible employee shall be barred from or denied compensation for refusing to accept new work under any of the following conditions: (1) If the position offered is vacant due directly to a strike, lockout, or other labor dispute; (2) if the wages, hours, and other conditions of the work offered are substantially less favorable to the employee than those prevailing for similar work in the locality; (3) if acceptance of such employment would affect the applicant's right to accept or refrain from accepting or retaining membership in or observance of the rules of an organization of employees.

Contributions.—It was voted that the Federal tax law recommended should impose a pay-roll tax of 3 percent on employers who are subject to the act beginning with the year 1936, but with the proviso that if for the year 1935 the index of production of the Federal Reserve Board shall be less than 90 percent of the

index for 1926, the rate of tax in the first year shall be 1 percent. (Before arriving at the rate of pay-roll tax suggested, the Council rejected a proposed rate of 5 percent and a proposed rate of 4 percent by close votes, after which a rate of 3 percent was agreed on.)

The Advisory Council does not recommend that employee contributions be provided in the Federal act. A number of members, however, believe that employee contributions should be required, since they would increase the amount of the period of benefits, and, even more important, they would make the employees a part of the administration and more effective in its control. These members believe further that employee contributions would cause the worker to regard the plan as partly his own and not as something given to him as a gratuity, and thus operate to prevent malingering and similar abuses.

On the other hand, a majority of the members of the Council were opposed to the principle of employee contributions. They felt that compulsory employee contributions are unjust, and while they are willing to leave this question up to the States, are opposed to any provisions for employee contributions in the Federal law. In their opinion, contributions paid by employers are, in the long run, passed on to consumers, while contributions paid by the workers, who can do nothing to reduce unemployment, cannot be so shifted. Those opposed to employee contributions regard the cost of unemployment as a legitimate charge in the cost of production. These members, as well as others sympathetic to the general principle of employee participation, felt that with a waiting period of 4 weeks recommended in the Federal law, employees would be meeting a large initial share of the risk of broken work and, coupled with the 50-percent loss of income throughout the benefit period, should not be further burdened.

Some members voting with the majority took the position that while there are no overwhelming logical reasons against employee contributions there is a practical consideration in the fact that employee contributions will be necessary in old-age insurance.

The Advisory Council recommends that it be left optional with the States to require contributions from employees. In the report of the committee and in any model bill which it may promulgate, it is recommended that attention be called to the fact that more adequate benefits can be paid if contributions are increased, whether these increased contributions come from employers, employees, or the Government. A motion to increase benefits by providing a contribution from the Federal Treasury itself was voted down by a large majority.

Depository for funds.—The Advisory Council recommends that all reserve funds should be deposited in the Federal Reserve banks under obligation that they be so managed as to assist stabilization of business and employment. We recommend that the Federal Government should arrange so that the unused balances in the unemployment reserve accounts shall receive interest at 3 percent.

Refunds (credits) to employers who stabilize employment.—In States providing for industry or plant accounts, under the subsidy type of Federal law a refund should be paid to employers who have such accounts, and whose reserves equal to or exceed 15 percent of their total average pay roll during the preceding 5 years or the preceding 2 years, whichever is the higher. In States having pooled funds, with merit ratings, a similar refund should be allowed to employers who become entitled to a low rate of contributions because of their favorable experience. Under a Wagner-Lewis type of Federal act, employers who under the subsidy type of act would be entitled to a refund, should be allowed the same amount as a credit against the Federal tax.

Benefits.—It is recommended that the standard benefits in inaugurating the system be based on actuarial calculations for the period 1922 to 1930. This plan proposed is designed primarily for "normal times", minor depressions, and the early stages of a severe depression.

In the determination of the standard benefit, it is recommended that the actuarial computations assume a waiting period of 4 weeks and a benefit rate of 50 percent of the average weekly earnings (or in the case of regular part-time workers, average full-time earnings for that part of the week in which they are usually employed with a maximum compensation) of \$15 per week.

The length of the standard benefits should be based upon the ratio of 1 week of benefit to 4 weeks of employment, with a maximum standard benefit of not less than 14 weeks in any consecutive 12 months, except that 1 additional week of benefit should be allowed for each 26 weeks of employment against which no benefit was drawn during the 5 years preceding the filing of the claim. This additional allowance would enable employees with long and continuous employment to receive a maximum of 10 weeks' benefit in excess of the maximum allowed for standard benefits.

In view of the wide divergence in the amount of unemployment in different States and industries, it is recommended that wide latitude be allowed to States with regard to the rate of benefits, minimum and maximum benefits, minimum duration of benefits, ratio of weeks of benefit to weeks of employment, and length of the waiting period. States should have freedom to substitute their own benefit provisions for the standard benefit recommended, provided that they satisfy the Federal administrative authority that there is a reasonable prospect that they will be able to maintain payment of benefits on the basis prescribed in their law. In no event, however, is a State law to be approved unless it has a waiting period of not less than 2 nor more than 4 weeks, and prescribes a rate of benefits of at least 50 percent of the average weekly earnings, and a maximum benefit of at least \$15 per week. A minimum rate of benefits should also be included in each State law, sufficient to enable unemployed workers to maintain themselves and their families during the period while they are drawing benefits without necessity of resort to private or public charity.

Actual payment of benefits is not to begin until 2 years after the act becomes effective.

Probationary period.—It is recommended that the length of the probationary period which employees must satisfy before they can claim any unemployment benefits be left discretionary with the States. In the Federal tax bill no account should be taken of the probationary period, the taxes to apply to employees during their probationary period no less than thereafter.

Interstate transfer of employees.—The principle should be recognized that employees who have unused benefit credits should not lose those credits because they change their employment from one State to another, but no entirely practical plan to carry out this principle has as yet been worked out. It is recommended that the Federal administrative agency be given authority to study this problem and to promulgate rules for carrying out the principle herein stated prior to the time when benefits actually become payable.

Guaranteed employment.—It is recommended that the legislation to be enacted shall permit plans for guaranteed employment to be set up within a State or on an interstate basis subject to the following conditions:

(1) Employment for at least 55 percent of the maximum period of possible work during any calendar year computed on the basis of 52 weeks work during the year for the standard hours per week worked in such plant or those permitted under any Federal or State code applicable to such plant, whichever is the higher, must be guaranteed, and any employees who are not given an opportunity for work equal to such guaranteed minimum work period shall be entitled to recover full wages for the part of the guaranteed employment for which work is not provided.

(2) Guaranteed employment plans are to be permitted only when the guarantee applies to all employees of any company, plant, or separate department (properly defined) of such company.

(3) Guaranteed employment plans may be established only with the approval of the State administrative agency, under such financial guarantees as such authorities may require, except in interstate accounts the approval of the Federal authority shall also be required.

(4) Where approved plans for guaranteed employment have been put into operation and their conditions fully complied with, employers maintaining such plans shall have returned to them, as a subsidy, the Federal excise tax levied against them.

ADMINISTRATION

State administrations.—The Federal law should require that States must accept the provisions of the Wagner-Peyser Act and provide for the administration of unemployment compensation through the Federal-State employment offices. It should be mandatory that all personnel connected with the administration of unemployment compensation be selected on a merit basis, under rules and regulations to be prescribed by the Federal administrative agency. It should be provided in the Federal act that State administrations must furnish such statistics and reports to the Federal agency as it may require. The States should be required further to provide that disputed claims shall be heard and decided in the first instance either by an impartial paid referee or by a local committee consisting of an impartial paid chairman and representatives of employers and employees, or in such other manner as may be approved by the Federal administrative agency.

We also recommend that the Federal act require the States to set up State and local advisory councils, representative of employers, employees, and the public for State plans, the members to be chosen by the State agency; and that advisory councils, representative of employers and employees, chosen in a manner satisfactory to the appropriate Government unemployment compensation authority shall be set up for all other plans, State or interstate.

Federal administration.—We recommend that the national administration of unemployment compensation be vested in the United States Department of Labor, and that the responsibility for all quasi-judicial and policy decisions be vested in a representative board, which is to have quasi-independent status, but is to make all its reports through the Department of Labor. It is recommended that this board consist of the Secretary of Labor, the Secretary of Commerce, and five members appointed by the President for terms of 5 years (which shall initially be staggered so that the term of one member shall expire each year).

The Council further recommends that the chairman of the Board shall be appointed by the President, rather than be *ex officio*, but recommends to the President the appointment of the present Secretary of Labor as the first chairman.

No qualifications for membership on this Board are suggested for the Federal statute, but it is assumed that the President will have in mind that employers and employees as well as the public should be represented on this Board. We recommend that this Federal Board shall have the responsibility of passing upon State laws and their administration and of certifying to the Treasury their compliance with the Federal act. It should have like responsibility in regard to interstate accounts and all other matters left by the act for the determination of the Federal authority. The Board should be authorized to make studies of employment stabilization and other pertinent subjects, to publish the results of its studies, and to otherwise promote regularity of work. The conduct of the employment offices and the compilation of statistical and other information, however, is to remain a direct function of the Department of Labor. The intent of this recommendation is to make a separation between quasi-judicial and policy functions on the one hand, and the direct work of administration on the other, leaving the former to the new Board and the latter to the Department of Labor.

Administrative expenses.—We recommend that a percentage of the proceeds of the Federal tax shall be retained for the expenses of the Federal and State Governments in the administration of the Unemployment Compensation Act, and in sharing in the additional costs thrown on the Federal-State employment services. The Federal authority should be authorized to set a maximum limit upon the administration expenses of the State from the amount remitted by the Federal Government.

National standards.—It is recommended that the standards, conditions, and recommendations as to State laws, as set forth herein, shall be included in the Federal bill, regardless of the type of legislation adopted.

The majority of the council are of the opinion that the minimum standards herein provided should be incorporated in the Federal law, but the council realizes that as a matter of policy, in order to secure Federal and State legislation, the Committee on Economic Security may find it advisable to omit or amend some of these standards in the Federal act.

Assistance to States in the preparation and passage of State legislation.—Since the plan for unemployment compensation we recommend contemplates cooperative Federal-State action, it is essential that the National Government should actively interest itself in securing the enactment of the necessary State legislation. To this end, we recommend that the Committee on Economic Security frame model State bills incorporating the various types of legislation permitted, under the Federal act, and be prepared upon request, to provide actuarial and expert assistance in the drafting of bills for introduction in the several State legislatures.

PART II. OLD-AGE SECURITY

Three separate but complementary measures for old-age security are recommended:

(1) A Federal subsidy to the States toward meeting the cost of noncontributory old-age pensions under old-age assistance laws complying with the standard prescribed in the Federal statute.

(2) A Federal system of old-age insurance which will be compulsory for all industrial workers who can be brought under its terms.

(3) A Federal system of voluntary old-age annuities for persons not covered compulsorily.

NONCONTRIBUTORY OLD-AGE PENSIONS

There are now 29 States with old-age assistance laws, providing varying standards of aid to aged persons granted upon differing conditions. Many of these laws are nonfunctioning; many of the others, through financial pressure, have cut benefits below a proper minimum, and have long waiting lists of needy persons; moreover, the financial limitations of many of the States and the indifference of others, indicate that State action alone cannot be relief upon to provide either adequate or universal old-age assistance.

It is recommended:

1. That the Federal Government enter this situation by offering grants-in-aid to the States and Territories which provide old-age assistance for their needy aged under plans that are approved by the Federal authority, such plans to include proposed administrative arrangements, estimated administrative costs, and the method of selecting personnel.

2. That the grants-in-aid constitute one-half of the expenditures, including administrative expenses, for noninstitutional old-age assistance made by any State or Territory under a plan approved by this Federal authority, provided that in computing the amount of said grants-in-aid, not more than \$15 per month shall be paid in Federal subsidy on account of assistance provided for any aged persons in such State or Territory, nor more than 5 percent of the total assistance expenditures for administration.

3. A State or Territory should be permitted to impose qualifications upon the granting of assistance to needy aged persons, but it should be stipulated in the congressional statute providing for the grants-in-aid that no plan shall be approved by the Federal administrative agency unless its old-age-assistance laws and its administration measure up to the following standards:

(a) Is State-wide or Territory-wide, and if administered by subdivisions of the State or Territory, is mandatory upon such subdivisions.

(b) Establishes or designates a State welfare authority which shall be responsible to the Federal Government for the administration of the plan in the State; and which shall administer the plan locally through local welfare authorities.

(c) Grants to any claimant the right of appeal to such State authority.

(d) Provides that such State authority shall make full and complete reports to the Federal administrative agency in accordance with rules and regulations to be prescribed by the Federal administrative agency.

(e) Provides a minimum assistance grant which will provide a reasonable subsistence compatible with decency and health, provided that in the event that the claimant possesses income this minimum grant may be reduced by the amount of such income.

(f) Provides that an old person is entitled to aid if he satisfies the following conditions:

(1) Is a United States citizen.

(2) Has resided in the State or Territory for 5 years or more, within the 10 years immediately preceding application for assistance.

(3) Is not an inmate of an institution.

(4) Has an income inadequate to provide a reasonable subsistence compatible with decency and health.

(5) Possesses no real or personal property, or possesses real or personal property of a market value of not more than \$5,000.

(6) Is 70 years of age or older; provided that after January 1, 1940, assistance shall not be denied to an otherwise qualified person after he is 65 years of age or older.

(g) Provides that at least so much of the sum paid as assistance to any aged recipient as represents the share of the United States Government in such assistance, shall be a lien on the estate of the aged recipient, which, upon his death, shall be enforced by the State or territory, and the amount collected reported to the Federal administrative agency.

4. The cost of the Federal subsidy to the Federal-State noncontributory old-age pensions will require annual appropriations from the Treasury. If, however, a Federal compulsory contributory old-age annuity scheme is adopted, and the fiscal position of the Government indicates financing old-age assistance grants by borrowing, the reserves of the compulsory contributory old-age insurance scheme might be utilized for this purpose. If such a borrowing policy is adopted, formal certificates of indebtedness carrying 3-percent interest should be issued by the Treasury to the Federal authority administering the compulsory contributory old-age annuity scheme.

CONTRIBUTORY OLD-AGE INSURANCE

A Federal old-age-insurance system is recommended, to be instituted at the earliest date possible, on the following plan:

1. *Scope.*—The act shall include on a compulsory basis all manual wage earners and those nonmanual wage earners who are employed at a rate of not more than \$100 per week; provided, however, that no wage in excess of \$50 per week shall be counted for insurance purposes. Wage earners in agriculture, governmental employment, and railroad service are not included on a compulsory basis.

2. *Tax on employers and employees.*—A tax shall be levied on employers and employees included within the scope of the compulsory provisions of the plan equal to the following percentages of pay roll: 1 percent in the first 5 years the system is in effect; 2 percent in the second 5 years; 3 percent in the third 3 years; 4 percent in the fourth 5 years; and 5 percent thereafter. Taxes shall be paid on both pay roll and wages on the assumption that the weekly wage of a single worker does not exceed \$50.

It is recommended that employers and employees each pay one-half of the above percentages, with the employer responsible for the payment of the employee's tax but entitled to deduct the same amount from the wages due the employee.

3. *Federal contributions.*—After a contingency reserve of reasonable proportions has been accumulated (approximating one-fifth of the full reserve), the Federal Government shall contribute annually an amount sufficient to maintain such a reserve.

4. *Benefits.*²—No annuities are to be paid until the system has been in operation for 5 years nor to any worker who has not made 200 weekly contributions. Thereafter the following benefits are to be paid on retirement at age 65 or later to worker (a) who entered insurance before attaining age 60 and (b) on whose account at least 200 joint weekly contributions have been paid, provided that contributions made after reaching the age of 65 years shall not affect the amount of the annuity.

It is proposed to provide a larger relative annuity for lower-paid workers by weighting more heavily the first \$15 of weekly wage. In the following description of benefits, however, the average percentage paid to all wage groups is used in indicating the annuities payable in each year.

(a) A pension equal to 15 percent of the average weekly contribution wage (not counting that portion of average weekly contribution wage in excess of \$35 weekly) to workers retiring in the sixth year the system is in operation. Pension percentages are to be increased by 1 percent each year in the next 5 years and by 2 percent each year in the following 10 years, thus bringing the percentage to a maximum of 40 percent of the joint contributions 20 years after the system comes into operation. In no case shall the pension be less than the amount purchasable by the worker's own contributions.

(b) A death benefit to beneficiaries of insured workers who die prior to retirement equal to worker's own contributions accumulated with interest at 3 percent.

(c) A death benefit to beneficiaries of insured workers who die after retirement equal to the accumulated value of the worker's own contributions at time of retirement, less the aggregate amount paid to the worker as a pension.

5. *Administration.*—While the collection of the funds and the control of the administration will be national, local agencies will be used so far as possible in the operation of the system. The guaranties recommended would be impossible in any but a straight national system, since they must be based on the actuarial experience of the population as a whole. It is contemplated that the old-age-insurance reserve funds will be invested and managed by the Treasury (or the Federal Reserve Board) on the same basis as the unemployment-insurance funds. All other aspects of administration are to be vested in a Federal insurance authority. It is recognized that the administration of an insurance plan for such a number of persons is a large undertaking, and to prevent duplication and to reduce administrative costs it is recommended that the same State and local agencies handling unemployment insurance be utilized for this purpose. Other State and local labor agencies will also have to cooperate in the administration.

² This plan of benefits applies only to persons entering the insurance system during the first 5 years of it operation and is organized to cover the situation of workers who are middle-aged and over at the time that the system goes into operation. The permanent scheme of benefits not having to meet that situation will, while following the general plan outlined here, adjust the full annuity to the contributory period of a normal working life.

VOLUNTARY OLD-AGE INSURANCE

In addition to the compulsory old-age insurance plan, it is proposed that there be established, as a related but separate undertaking a voluntary system of Government old-age annuities, for restricted groups as indicated below. Under such a plan, the Government would sell to individuals, on a cost basis, deferred life annuities similar to those issued by commercial insurance companies; that is, in consideration of premiums paid at specified ages, the Government would guarantee the individual concerned a definite amount of income starting at, say, 65 and continuing throughout the lifetime of the annuitant.

The primary purpose of a plan of this character would be to offer persons not included within the compulsory insurance arrangement a systematic and safe method of providing for their old age. The plan could also be used, however, by insured persons as a means of supplementing the limited old-age income provided under the compulsory plan.

Without attempting to outline in detail the terms under which Government annuities should be sold, it is believed that a satisfactory and workable plan, based on the following principles, could be developed without great difficulty:

1. The plan should be self-supporting, and premiums and benefits should be kept in actuarial balance by any necessary revision of the rates indicated by periodical examinations of the experience.

2. The terms of the plan should be kept as simple as practicable in interest of the economic administration and to minimize misunderstanding on the part of individuals utilizing these arrangements. This could be accomplished by limiting the types of annuity offered to two or three of the most important standard forms.

3. In recognition of the fact that the plan would be intended primarily for the same economic groups as those covered by compulsory annuities, the maximum annuity payable to any individual under these arrangements should be limited to \$100 per month. The plan should be extended to persons of the lowest wage groups who are able to build up only small annuities, by providing for the acceptance of relatively small premiums (as little as \$1 per month).

4. The plan should be managed by the insurance authority along with the compulsory old-age insurance system.

No estimates have been made as to the amount of annuity reserves that would be accumulated under a plan such as that proposed above. It is believed, however, that the fiscal problems presented by such reserves would not be serious.

Judging by experience abroad, relatively few persons will voluntarily take out such annuities, unless the government actively interests itself in promoting them.

PART III. SECURITY FOR CHILDREN

In the last analysis, security for family life, insurance of an environment in which the rights of children are safeguarded, is the principal objective in an economic security program. All the measures which the Council have considered—unemployment compensation, an employment and public assistance program, adequate health measures, and even old-age pensions, which lift the burden of the support of the aged from those of middle age whose resources are needed for the care and education of their children—could be described as child-welfare measures. But in addition to these general measures, certain special measures are necessary for the protection of children. Two groups of such measures to be administered by the Children's Bureau of the United States Department of Labor were submitted to the Council with the endorsement of the Special Advisory Committee on Child Welfare and in the case of the recommendations as to child and maternal health, of the Special Advisory Committee on Public Health, as well as the Child Welfare Committee. These measures which were considered and approved by the Council are, briefly, as follows:

1. Strengthening and expanding of mothers' pensions and of State and local services for the protection and care of homeless and neglected children and children whose surroundings are such as gravely to impair their physical and social development, through a program supported jointly by Federal grants-in-aid and State and local appropriations.

Mothers' pensions, designed to bring security in their own homes and under their mothers' care to children who are deprived of a father's support by death, incapacity, etc., and for whom long-time care must be provided, are now authorized by legislation enacted in 45 States. Such pensions are, however, actually granted by less than half the local units empowered to provide this form of care, and in many of these the amounts of the grant are inadequate to safeguard

the health and welfare of the children. Of the present annual expenditures of approximately \$37,200,000, local appropriations total \$31,200,000, and State appropriations amount to \$6,000,000. In order to take care of those now on waiting lists, poor relief, or emergency unemployment relief, and those for whom existing grants are inadequate, State appropriations should be increased, and it is estimated that approximately \$25,000,000 a year for Federal grants-in-aid of this program will be required for the first 2 years, rising to a possible \$50,000,000 as the program develops. In this connection, it is noted that the Federal Government, through the Federal Emergency Relief Administration, is now spending much more than \$25,000,000 on families probably eligible for mothers' aid. Federal grants should be conditioned on the State laws being made mandatory on the local units and on approved plans which would insure minimum standards in investigation, amount of grants, etc., and after June 30, 1937, State financial participation, which might take the form of equalization grants to local units or per capita grants as the individual States desired. An appropriation of \$1,500,000 a year is approved for assistance to State welfare departments in promoting more adequate care and protection of children and strengthening local public child-welfare agencies.

2. A child and maternal health program involving Federal assistance to the States, and through the States to local communities, in the extension of maternal and child health service, especially in rural areas was approved. Such a program, it is understood by the Council, would include (a) education of parents and professional groups in maternal and child care, and supervision of the health of expectant mothers, infants, preschool, and school children and children leaving school for work, (b) provision for a rural maternal nursing service, (c) demonstrations of methods by which rural mothers may be given adequate maternal care, and (d) provision for transportation, hospitalization, and convalescent care of crippled children, in areas of less than 100,000 population. This program should be developed in the States under the leadership of the State departments of health or public welfare, in close cooperation with medical and public-welfare agencies and groups, and other agencies, public and private, concerned with these problems. The committee submitting this plan estimated that approximately \$7,000,000 a year will be required for this program, to be increased as the program develops.

PART IV. EMPLOYMENT AND RELIEF

The report of the Special Committee of Employment and Relief Advisory to the President's Committee on Economic Security was referred to the Council for consideration and after discussion by a subcommittee and the full Council, the report was adopted in principle.

The main recommendations of the report which are herewith restated and reaffirmed are:

1. GOVERNMENT EMPLOYMENT PROGRAM

1. All of those on relief who can be employed should be given work. To accomplish this end a governmental employment program is necessary.

2. Great care must be taken to avoid any governmental work program which will nullify its own gains by retarding recovery.

3. Programs can be devised which will provide real work for large numbers of the unemployed. In selecting projects the following things should be kept in mind:

(a) The program should be varied so that workers of many different skills may be employed; it should be widely distributed geographically; it should be free as possible from requirements which cause delays and hinder ready adaptation to the needs of the unemployed, such as insistence upon self-liquidation or work by contract.

(b) The present program of public works and work-relief projects should be studied and extended as far as possible. Special attention should be given to the processing of surplus products and production for use.

(c) Continuous study should be given to the adopted or suggested programs of other departments of the Federal, State, and local governments. For example, the committee on medical care is recommending the construction of 500 rural hospitals and other sanatoria. Work programs relating to the housing needs of communities can be greatly developed and the rehousing of dependent families in slum areas to be torn down is a matter which should be studied.

4. Unless work is separated from relief it loses most of its social values to the worker. Therefore the Government employment program should be divorced

completely from relief, and should be set up separately from the public-assistance program recommended in this report.

5. Candidates for employment should be selected on the basis of their ability, not their need, but as there probably will not be sufficient Government work to give employment to everyone not now employed, applicants should be required to show that they are dependent on their own earnings and that they have had previous regular work experience.

6. The proper selection of these applicants, and their reabsorption into private industry cannot be properly done unless the work of the United States Employment Office and the State employment offices is expanded and strengthened and the personnel in many States improved.

7. There must be close and constant cooperation between all employment offices and the responsible authorities in governmental public-assistance departments.

II. EDUCATIONAL PROGRAM FOR YOUTH

The committee believes that the security program should contain special educational provisions for those between the ages of 16 and 21. By utilizing the educational facilities which the Nation provides, and strengthening them where necessary, education could replace work as the element necessary for security for that age group. In this way a million or more competitors would be withdrawn from the labor market.

III. PUBLIC ASSISTANCE PROGRAM

It is very important to retain the gains which have been made in the administration of public assistance in the last few years. The standards of service are higher and relief more nearly reaches adequacy mainly because there has been Federal financial aid to the States and supervision of their work. There has also been State aid and supervision of the counties and townships. These gains cannot be made permanent without the revision of all the so-called "poor laws" in most of the States. It is rarely that such an opportunity comes to change a whole group of antiquated and sometimes inhuman laws. To do that and to retain the good in the present emergency set-up, a plan is advocated for a Federal department or administration through which equalization funds would be administered to the States. This would be a powerful influence in building up State and local agencies which would be able in turn to do away with the evils of the present relief system. Strong State and local departments of public welfare, well organized on a permanent rather than an emergency basis, should be encouraged as a means of providing assistance according to the varying needs of families and individuals. The best known methods are necessary to counteract the demoralization and insecurity which result from the social hazards encountered. Such assistance should be adequate, timely, certain, and well administered and the State and local administrations developed on a permanent basis should be encouraged to give most careful attention to the selection and training of qualified personnel. It is therefore recommended:

1. That there should be a permanent public welfare bureau, department, or administration in the Federal Government which should administer all Federal public-assistance funds and coordinate Federal, State, and local public-assistance efforts; and in which should be focused the development of whatever relationship should exist as between public assistance and other measures of economic security.

2. That we recommend that the proposed Federal bureau or department of public welfare be given authority to require a State to consolidate its welfare functions in one satisfactory permanent department with appropriate local units as a condition to the use of State and local machinery in the administration and distribution of Federal funds.

3. That the committee asks support for a unified welfare program, Federal, State, and local. This should be a well-rounded program, unified administratively as well as financially. The committee believes that Federal grants-in-aid are urgently needed not only for unemployment compensation, but also for old-age pensions, mothers aid, general home assistance, care of homeless children and adults, and other parts of the proposed unified welfare program. The committee also expresses its belief that no hard and fast line can be drawn between any of these categories.

It will not be possible for the State and local governments to assume full responsibility for those families whose needs would not be met by a work program but the Federal Government should, through its proposed welfare administration secure all possible cooperation from these subdivisions of government.

PART V. RISKS TO ECONOMIC SECURITY ARISING OUT OF ILL HEALTH

The Advisory Council wishes to give general endorsement to the proposals of the staff and its advisory medical, public-health, hospital, and dental committees relative to public health and medical care. Specifically the Council approves the proposal for annual Federal appropriations of not less than \$10,000,000 to the United States Bureau of Public Health for the following purposes:

To the Public Health Service: (1) For grants-in-aid to counties and local areas unable to finance adequate public-health programs with local and State resources, to be allocated through State departments of health; (2) for direct aid to States in the development of State health services and the training of personnel for State and local health work; (3) for additional personnel within the Service for investigation of disease and of sanitary or administrative problems which are of interstate or national interest and for detailing personnel to other Federal bureaus and offices and to States and localities; and

The Council emphasizes the necessity for including in the economic security program adequate measures for preventing the risks to economic security arising out of ill health, and believes that these foregoing proposals will contribute to the development of a national health plan.

The Council also approves the three sets of proposals relative to medical care, as follows:

1. Further use of Public Works Administration funds for the construction of public-health and medical institutions such as tuberculosis sanatoria, mental-disease hospitals, and health centers, where the need is shown to exist and funds are available for maintenance.

2. Use of Public Works Administration funds for the construction of general hospitals in rural areas where such institutions are needed but where no hospitals exist, with appropriations on a decreasing scale for their operation. A preliminary survey shows that there are approximately 500 such areas.

3. Extension of hospital care to persons on Federal Emergency Relief Administration relief.

The Council wishes to express its appreciation of the assistance being rendered to the staff by the medical, hospital-, and dental-advisory committees in their study of health insurance and of other measures for medical care which is still under way.

Senator KING. Let me ask you one question. Were not some of those individual opinions given without having before them all of the testimony, all of the evidence, and all of the facts that were brought before the Technical Board, the technical advisors and the committee itself? In other words, would they have the entire picture before them or just some particular point to which their attention had been directed?

Mr. WITTE. The answer is that the Advisory Council, of course, did not spend as much time on this as did the various committees of the Technical Board. The Technical Board, under the President's order, assisted the committee in actually working out these problems.

Senator KING. As I understand it, the advisory committee was called together three or four times?

Mr. WITTE. Yes.

Senator KING. And their time, of course, was limited, as measured by the large amount of time, the great amount of time devoted to the matter by the technical advisors and by the committee proper. Is it not a fact that their advice would be rather limited to some particular phase rather than the entire picture and that they would not have before them all of the evidence, all of the facts, and all of the records that had been brought to the attention of the technical committee and the committee itself?

Mr. WITTE. I think that is correct, although I want to say that the Advisory Council members devoted a great deal of time and showed a great deal of interest in this work. And while the Committee on Economic Security could not agree with all of them; because they

themselves were divided, the committee profited by having the views of all groups presented.

Senator CONNALLY. When you speak of the "committee" you mean the Technical Committee?

Mr. WITTE. I mean the committee created by the President, that is the Cabinet committee, which was asked by the President to make recommendations to him.

Senator CONNALLY. I know, but the real work was done by the Technical Committee was it not?

Mr. WITTE. The technical work was done by the Technical Committee. Matters of policy were decided, as the order of the President contemplated, by his Cabinet committee.

The theory on which the entire organization was that all decisions on questions of policy should be made by the elected representatives of the people. In the first instance, the President of the United States, advised by his Cabinet committee, passed upon the policies to be laid before the Congress. The technical people were primarily there to give technical advice, to assist in gathering the facts and working out the details. The Advisory Council was a lay group that the Cabinet committee consulted to get the opinions and views of practical men and women, many of whom had given some thought to these problems, but who were not technicians. The theory was that the President and his committee alone should make recommendations and present them to your honorable bodies; and that you, the elected representatives of the people, should make the final decisions. The Advisory Council and the Technical Board were both merely advisory to the committee and were not expected to make independent reports.

Senator CONNALLY. Did the Cabinet committee agree?

Mr. WITTE. It is a unanimous report, Senator.

The CHAIRMAN. The independent opinion of this advisory board would be helpful to the committee on certain facts. Of course, we will give it such weight as it deserves.

Mr. WITTE. Certainly. Just to clear up this point of the so-called "subsidy system"——

Senator BYRD. Doctor, before you get into that I would like to get clearly in my mind what you mean by four employees; whether they are permanent employees or whether they are temporary employees?

Mr. WITTE. I do not understand what you mean by the four employees.

Senator BYRD. You have got a provision here that affects only those employers who employ four employees.

Senator KING. Four or more.

Senator BYRD. Four or more. Does that mean four permanent employees?

Mr. WITTE. No. The language in the provision, as it stands, Senator, is that employers are subject to this Federal tax, if, during the taxable year, they employed four or more employees in any 13 weeks of that year.

Senator BYRD. They have all got to be employed at the same time?

Mr. WITTE. Thirteen weeks of the year. The pay rolls of the employer must show that there were four or more employees in 13 weeks. They do not have to be the same people; they do not have

to be consecutive weeks. If, in 13 weeks, an employer employed four or more employees he is liable to the tax for that year. You look at his pay roll and if you find that for 13 weeks of the year he had four people or more, then he is subject to the Federal tax.

The CHAIRMAN. Suppose my wife had trouble with the cook and had to fire her, and had to hire one every 2 weeks, and in the aggregate of 13 weeks there were four persons employed to cook, would I come under the provisions of the act?

Mr. WITTE. As the bill stands, if you actually had four people at one time in any 13 weeks of the year, you would be under the act.

Senator BYRD. Excuse me. I want to get this very clear. Take, for instance, partnerships. Suppose a man employed 2 himself, and then had a partnership with somebody else and that partnership employed 2 more men, would they be included?

Mr. WITTE. It would be the employees of the partnership. If the partnership had four or more employees, it would be under the act.

Senator BYRD. Each would be considered separately?

Mr. WITTE. Certainly. The partnership is a separate business unit. The partners are not employees, as you, of course, are aware.

In reference to this question of the subsidy system to clear up that matter I want to read the resolution which the advisory council finally adopted on this subject. I will not read the entire resolution, since you desire the entire report to be filed. The resolution adopted recites the position of the majority and the position of the minority, and concludes:

All of the members recognize that each type of Federal law has distinct merits and wish their votes to be interpreted not as necessarily opposing either type of law but as preferring one type to another.

That is the final action of the council, the only action that appears in the report of the council. The newspapers reported a division of 9 to 7, but there is nothing stated in the report about any such vote. That was eliminated by later action of the council.

Senator CONNALLY. Doctor, go ahead with the subsidy business.

Mr. WITTE. The "subsidy", as the term is used, in the discussions of the advisory council, is not the usual type of Federal subsidy. It is a misnomer even to call it a subsidy. It relates not to a grant by the Federal Government from general revenues to the States, but it relates to the return of the taxes collected from a State from the 3-per-cent tax in this bill to the State from which collected.

The difference between the so-called "subsidy" system and the system recommended in the bill is not very great. It relates merely to the way in which you bring the moneys collected for unemployment compensation into the Federal Treasury. Under the plan as suggested in the bill, if a State has an unemployment compensation law it collects the money for unemployment-compensation purposes. It is not a tax at all in the State, it is called a contribution or a premium rate. This bill provides that money must be deposited by the State in a special account to be held for the State in the Treasury of the United States.

Senator CONNALLY. And the way you compel obedience to that, is to withhold benefits unless they do comply with this law?

Mr. WITTE. It is to withhold recognition of the law entitling the employer to credit.

The CHAIRMAN. If a State is putting on a tax equal to the tax imposed here, would you then put his tax on?

Mr. WITTE. Yes. The employer gets credit for the amount he has paid to the State.

The CHAIRMAN. Would you continue the State tax and put this tax on too? And credit the employer with it, or would you just let the State continue to operate and put its own tax on?

Mr. WITTE. It is the same situation, Senator, as under the Federal estates tax. This device is not something that is untried or new in Federal legislation.

Senator CONNALLY. You are talking about the tax that is going to build up the State fund, and then you will have in addition to that the regular Federal tax.

Mr. WITTE. I would like to explain that.

Senator CONNALLY. That is what I want you to do.

Mr. WITTE. It is parallel to the situation you have with reference to the Federal estate tax and the State inheritance taxes. You impose a Federal estate tax under the law you now have in operation, which has passed the test of the Supreme Court of the United States. Since 1924, you provide that in payment of the Federal estate tax a credit shall be allowed up to 80 percent of the Federal tax for amounts paid to the States under their State inheritance-tax laws. Similarly it is here proposed that a 3 percent tax be levied by the Federal Government. A credit is to be allowed against that tax for payments made under State unemployment compensation acts, and that credit is to be up to 90 percent of the amount of the Federal tax. In any event the Federal Government will collect at least 10 percent of the tax which it imposes. If the State has no tax at all it will collect the entire 3 percent. If the State collects a tax of only 1 percent, then the Federal Government will collect the other 2 percent. It is a provision which parallels directly the machinery you have under the Federal estate tax law, which, in the case of *Mellon v. Florida*, was held in the unanimous decision of the United States Supreme Court to be within the constitutional powers of the Congress.

Senator CONNALLY. Of course, it is designed to coerce the States into coming in.

Mr. WITTE. You can use that phrase if you want to.

Senator CONNALLY. I will change that to "induce".

Mr. WITTE. The primary motive is little different from that. The primary motive is to make it possible for the States to act. Bills for unemployment compensation legislation have been introduced in the leading industrial States of this Union in practically every session of the legislature since 1921. I think that is literally true in States like Massachusetts and New York. While it is not literally true in every State, there have been unemployment compensation bills in substantially all States since 1920, particularly since the present depression set in. Only one State has so far enacted such a law. The reason why the other States have not acted is that unemployment compensation involves a very heavy charge upon the employers, and no State can act—as a practical matter, very few States will act—so long as the Federal Government does not remove the disadvantage to which employers in such a State are under in interstate competition. That is the essential reason why the State has to enter the picture. If you really wish to have unemployment

compensation laws through State legislation, as was pledged in the Democratic platform of 1932, the Federal Government must participate in some such way as we here suggest.

Senator CONNALLY. In other words, one State is not going to pass the law because it will put it under a handicap with respect to other States, and therefore, in order to make this thing effective, the Federal Government comes in and does impose conditions which make it of advantage to the States to come in?

Mr. WITTE. Certainly.

Senator CONNALLY. Whether you use the word "induce" or "coerce" the result is the same. The State says, "Well, we are going to pay the 3 percent tax anyway, or the Government is going to take it away from us, so we will pass it ourselves." That is the philosophy of the bill?

Mr. WITTE. The philosophy of the bill is to make it possible for the States to act.

Senator CONNALLY. I am not in disagreement with you. I am trying to get a full understanding of the bill.

The CHAIRMAN. Did the Republican Party, in its platform give an expression on that proposition?

Mr. WITTE. Not directly.

Senator CONNALLY. Did it do anything about it?

Mr. WITTE. The National Committee of the Republican Party, in a statement issued in June 1934 which I will be glad to put in the record issued a statement pledging the party to the enactment of social-insurance legislation along lines in accord with traditional American policies. I interpret that to mean an endorsement—not necessarily this program—but an endorsement of the essential ideas here presented.

The CHAIRMAN. I did not catch who it was that issued that statement.

Mr. WITTE. The Republican National Committee, in a public statement prior to the last congressional campaign, in June 1934, which I will be glad to put in the record.

The CHAIRMAN. I do not think anybody is going to question your statement. It does not add anything to it.

Senator LA FOLLETTE. Is it not a fact, Dr. Witte, that one of the chief objections at the time when the Wisconsin act was under consideration, upon the part of employers, was that it would place them at an economic disadvantage with all of the States in contiguous territory who are manufacturing similar commodities?

Mr. WITTE. Not only in Wisconsin, but that same argument has defeated unemployment compensation bills in every State of the Union. I think 11 commissions prior to this year, State commissions, interim legislative commissions, reported in favor of unemployment compensation. In the legislative sessions of 1933, one house of the legislatures of seven States passed an unemployment compensation bill, only to see it defeated in the other house. Unless you remove that great obstacle to State action you cannot or are not likely to have unemployment compensation laws along State lines.

Senator KING. Doctor, you mentioned the act of the British Parliament with respect to unemployment insurance. Did that plan work satisfactorily?

Mr. WITTE. It all depends, Senator, on what you mean by "satisfactorily."

Senator KING. Were the benefits derived from it so great that the people generally accepted it, at least as a step in the right direction?

Mr. WITTE. Unemployment compensation is thoroughly established in Great Britain. It has survived numerous changes of governments. As man-made institutions go, and a new institution, it has been successful. Every country in the world that enacted an unemployment compensation law still has such a law with the exception of Russia. Russia enacted an unemployment compensation law but no longer pays any benefits, but it is the only country in the world that has done that.

The CHAIRMAN. Have any States tried it?

Mr. WITTE. There is only one State that enacted a law.

The CHAIRMAN. That is Wisconsin?

Mr. WITTE. Yes. Contributions became payable under the Wisconsin law on July 1, 1934. Benefits are not yet payable. You have had really no test to date, except that the Wisconsin law has proven reasonably satisfactory to the employers. The employers have not even taken the act to the courts.

The CHAIRMAN. How do you raise the money in Wisconsin?

Mr. WITTE. Through a 2-percent-contribution rate on employers. In the States the term "tax" is not used, it is a "contribution."

The CHAIRMAN. Is it on the pay roll?

Mr. WITTE. Yes, sir.

The CHAIRMAN. And the employee pays nothing for that?

Mr. WITTE. Not in Wisconsin. Some bills in other States have proposed employee contribution. The bill, for instance, in the State of Ohio, proposed by the commission of which Dr. Leiserson, a member of our Technical Board, was chairman, recommended employee contributions. As this bill stands the States can put in employee contributions if they so desire.

The CHAIRMAN. Well, you say the manufacturers and the employers generally in Wisconsin approved the law, or they have submitted to the law.

Mr. WITTE. Their opposition is certainly not very vociferous at this time.

Senator LA FOLLETTE. It is felt today that they have cooperated, isn't it, Doctor?

Mr. WITTE. Certainly, they have cooperated.

The CHAIRMAN. When was that bill passed?

Mr. WITTE. In 1932; in a special session of 1932, and it became effective July 1, 1934.

Senator KING. So there has not been an opportunity to test the efficacy of it?

Mr. WITTE. No. The rate of contributions is 2 percent. A State putting in a law, with neighboring States having no law at all, would, obviously have to start with a system of very low benefits and very low contributions. It could not do otherwise. It is remarkable that even one State was willing to try it alone.

The point I am making and that our committee has in mind is that you cannot have unemployment-compensation laws by the States unless the Federal Government will remove the disadvantage that a State is under through enacting such a law.

Senator KING. Doctor, I suppose your committee recognized the fact that a dual form of government such as we have here presents difficulties over those which would be realized in a unitary form of government, for instance in Great Britain and particularly in Germany now, where the States have all been destroyed, where you have a concentrated authority, and the same in Italy, it would be more easy to put into operation the unemployment insurance tax and the benefit in those countries than it would in a country such as ours, a broad country such as ours, with a dual form of government?

Mr. WITTE. Certainly. We have the problem of enacting laws through the States. That is the traditional American method of dealing with labor problems and it does present difficulties, but it probably also, Senator, has advantages. If you were to attempt to write a national law at this stage I think you would find, as have all of these groups, great difficulties in reaching an agreement upon all essential points that should go into such a law.

I call your attention to this one illustration: Mr. Green, in his testimony the other day, urged that the Federal Government should insert as a standard in this bill that there should be no employee contributions. Of the members of the advisory council who took the same position as he did on this question of subsidy only one member voted with Mr. Green against employee contributions. All desired more standards, but they were not in agreement what these standards should be.

In leaving this matter of employee contributions to the States, some States will provide for it and others will not. In the State of Ohio labor is on record for employee contributions. In the State of Wisconsin labor opposed it. In the State of New York labor is now opposing employee contributions. That illustrates the difficulties of having many specific standards in the Federal bill.

The CHAIRMAN. I suppose the members of this committee realize the many difficulties that even we have got to solve in this problem.

Mr. WITTE. Certainly.

Senator CONNALLY. Doctor, you favor the employee contributions?

Mr. WITTE. Personally?

Senator CONNALLY. Yes.

Mr. WITTE. Our committee, and I am representing the committee, leaves that up to the States. My personal conviction is that employees should not be asked to contribute.

Senator CONNALLY. They should not contribute?

Mr. WITTE. That is my personal conviction. I think that you would get a better system if you did not ask for employee contributions.

Senator CONNALLY. If they did not contribute anything there would be a lot of chiseling. If they do contribute each workman would be sort of prompted to see that no one gets on that is not entitled to be on. Is there anything to that proposition? I have heard that, at least.

Mr. WITTE. That is an argument that is made on one side. On the other, there is the argument that when a man has contributed, no matter how small the contribution is, he will think that he ought to get something out of it. It might increase chiseling. On all such questions we are now debating in the abstract, we do not know what will be the actual result. We do not know whether employee contributions will work better than a system of not having employee

contributions. Until we have actual experience, we are just expressing opinions. You may be right and I may be right. It is a question of mere opinion.

The CHAIRMAN. Have you any examples or illustrations to offer of some of the large institutions, or just ordinary institutions, as to what the amount of their pay roll is and what this 3 percent would amount to in a year?

Mr. WITTE. I gave you the figures, Senator, for the entire country.

The CHAIRMAN. You have put those figures in the record already?

Mr. WITTE. Yes. In a large institution, of course, it would depend upon how large their pay roll is.

The CHAIRMAN. Let us take some particular institution. Let us take, for instance, General Motors. What is the pay roll of General Motors?

Mr. WITTE. I haven't very good figures on General Motors. I presume General Motors has somewhere around 100,000 employees at this time, and their pay would average better than a thousand dollars per employee. Figuring a thousand dollars per employee, a 3-percent tax would amount annually to \$3,000,000.

Senator GERRY. Doctor, do you take into account the highly paid executives who are on the pay roll?

Mr. WITTE. Yes, sir; we take the whole pay roll.

Senator CONNALLY. I asked that question the other day. I got the idea from Miss Perkins that you exempted the executives. I asked why you exempted the executives.

Mr. WITTE. Not in unemployment compensation.

Senator LA FOLLETTE. That is on old-age benefits.

The CHAIRMAN. That is on old-age benefits; \$250 is the limit in that case, isn't it?

Mr. WITTE. Yes.

The CHAIRMAN. Just give us the reasons why the same rule was not applied on unemployment insurance as was applied on old-age pensions?

Mr. WITTE. In the first place it is the question of administration, the ease of administration. The Federal tax will be computed on the whole pay roll, there will not be any necessity for examining the pay roll in detail to see which employees are to be excluded and which are to be included. The State can exclude them if they wish. From the point of view of collecting the Federal tax it is certainly easier to take the whole pay roll.

The CHAIRMAN. You state that the State might exclude them if they wish?

Mr. WITTE. The State law may be higher than 3 per cent.

The CHAIRMAN. Yes.

Mr. WITTE. And so the employer might be entitled to his entire credit, even if the top executives were not included under the State law.

The CHAIRMAN. The committee gave consideration to all those propositions?

Mr. WITTE. Yes, sir.

Senator GERRY. If the State exempted them then they would really do actuary work that would bother the Federal Government?

Mr. WITTE. Certainly. The States are going to collect the tax anyhow.

Senator GERRY. Is it going to bother the Federal Government—I mean as an actuary proposition?

Mr. WITTE. The Federal Government will always have to check in each case, will have to have a report from the employer to determine what tax is due, and the employer will have to present receipts from the State, just as he does under the Federal estate tax law; he must produce receipts showing the actual payments.

Senator GERRY. If that has already been worked out for the States it does not seem like such a difficult proposition, does it?

Mr. WITTE. It has not been worked out. The States haven't the laws now, Senator.

Senator GERRY. I understand that. I was thinking of the future. I was trying to get the point of view of the Government, that is all.

Mr. WITTE. Yes, sir. The other point is that unemployment is such a great problem that we feel if you place the tax on the whole pay roll you will get a little additional money. We are quite frank in that. We need the money to pay reasonable compensation. We very frankly recognize that the benefits you can pay will depend upon how much money you have collected.

Senator GERRY. In other words, if you add all that in you get a higher tax, and that is really the basis of why you do it?

Mr. WITTE. Yes, sir; and it is easier of administration.

The CHAIRMAN. The question was asked you I think by Senator Connally as to how much the Government would lose in revenue by virtue of this tax, which of course would be calculated by the institution paying the tax as a credit when they get ready to pay their corporation tax, or what not. You haven't any figures on that?

Mr. WITTE. You mean the cost?

The CHAIRMAN. Yes. Take the illustration that you offered of General Motors, for instance. If this tax amounts to \$3,000,000 a year that would naturally reduce the corporation tax that they would have to pay.

Mr. WITTE. It does to a slight extent.

The CHAIRMAN. \$3,000,000 is not very small.

Mr. WITTE. Yes; but this is a certain percent of that.

Senator CONNALLY. It would reduce it 14 percent of 3 million.

Mr. WITTE. Fourteen percent of \$3,000,000. That assumes too, Senator, that the General Motors Co. does not have any expenditures because of irregularity in employment. It might actually not mean any loss of revenue.

The CHAIRMAN. I think the committee ought to have some facts on that, because we are charged with raising enough revenue to run this Government, and if that is going to cut into our revenues a little bit we ought to know it, because we may have to raise more money than we would anticipate just on the face of this bill.

Mr. WITTE. The total collections, Senator, figured on the 1933 business, would have been slightly over one-half billion dollars, and on the basis of the most prosperous year you ever had, \$1,000,000,000, and not all of that would be deductible cost.

Senator GERRY. What would the total collections on the insurance and old-age pensions on the same figures that you gave as a basis be?

Mr. WITTE. The old-age pensions starting at 1 percent in 1937, at the outset will be approximately, on a 1929 pay roll, about \$300,000,000.

The CHAIRMAN. Dr. Witte, because you are in close touch with this committee which has the Secretary of the Treasury on it, I wish you would speak to the representative of the Treasury, because the committee would want to know something with reference to the financial end of this phase of the question before we close our hearings, so they can study the problem.

Mr. WITTE. Those general figures will give you the outside limits of what this might mean in a reduction of income taxes.

Senator CONNALLY. Dr. Witte, your idea is that this bill provides the Federal authorities would fix a minimum of payment in the States?

Mr. WITTE. No. We leave that to the States.

Senator CONNALLY. I thought you said the other day it would be up to the Administrator to determine what the requirements were for a decent living?

Senator BYRD. That was in the old-age pensions.

Senator CONNALLY. It requires that in the old-age pensions, doesn't it?

Mr. WITTE. If he should determine, as I think the discussion we had the other day brought out, if he should determine that the State was not living up to the requirements of the law, which is that the State shall pay a decent minimum for subsistence, then he can stop the payment. He cannot prescribe by rule how much the States shall pay, but he can stop the payments.

Senator BYRD. That has exactly the same effect.

Senator CONNALLY. That is what I am getting at. In some States, on account of living conditions, and all that, they might feel like that they would not want to pay more than \$5 or \$10 for old-age pensions. Under this bill if the States do not pay more than that, it would not get anything?

Mr. WITTE. That is not my interpretation, Senator. The Federal Emergency Relief Administrator is charged with the administration of this law.

Senator CONNALLY. That is what I am talking about. He is given the power to step in, if he wants to, and say, "Here you are not paying enough down there. We will not give you anything."

Mr. WITTE. Theoretically, he can.

Senator CONNALLY. I am not talking about theories; I am talking about actual facts.

Senator BYRD. That is written right in the bill.

Senator CONNALLY. The point I make is that \$5 or \$10 a month is not all that we would like to give, but if the State cannot give more why should not the Federal Government give a similar amount, to match the amount that the State gives? I am not in favor of giving the administrator here that kind of power.

Senator BYRD. Senator Wagner testified the minimum was \$40 a month, and Mr. Green asked for \$50 a month. What is your personal opinion as to the amount that is necessary to set up the standard of decent living and health?

Mr. WITTE. That varies with the conditions.

Senator BYRD. Just take the lowest possible amount that you think is necessary to set up a standard of decent living and health.

Mr. WITTE. I have no way of estimating that. I call your attention to the fact that under the Federal Emergency Relief system that

we now have in this country, while the average for the country is \$23, the same Administrator that you are dealing with has authorized and has approved grants which, in certain States, average only \$10, whereas in other States they average in excess of \$30.

Senator BYRD. Is not this true that some administrators have set up a standard for labor of 45 cents an hour when the average in those particular localities was sometimes 15 cents an hour?

Mr. WITTE. Here the State will determine, and the administrator's position will be that of saying that the State is not meeting the standard, if that be the case. It is not contemplated that he shall issue orders saying that \$50 or \$40 is the standard.

Senator BYRD. He has the right to do it under the law.

Mr. WITTE. Only by withholding payments.

Senator CONNALLY. Certainly.

Mr. WITTE. He could announce such a policy but he cannot issue such an order legally.

Senator BYRD. He can withhold all Federal aid.

Senator CONNALLY. Doctor, some fellow might have some little income, he might have a house, and he might not need as much as the fellow that does not have the house.

Mr. WITTE. That is the theory of old-age pensions.

The CHAIRMAN. You leave it to the State.

Senator CONNALLY. No, you do not leave it to the States. You say the dictator here can fix the amount that the State ought to contribute.

Senator BYRD. He is talking my language now.

Senator CONNALLY. I am in sympathy with the legislation but I want something that is sensible and that will do the work.

Mr. WITTE. I suggest, Senator, that is a matter of policy for the Congress to determine.

Senator CONNALLY. I am very much obliged to you for that suggestion.

Mr. WITTE. You can adopt three courses of action. You can have no standard at all, if you desire to have that sort of a law, or you can write a definite standard into the law. Our committee felt that, all matters taken into consideration, the greatly varying conditions that you referred to and the very obvious differences in the needs of people that I have stressed in my testimony, that the course which would be the most satisfactory, and which would avoid the difficulties of trying to write a uniform standard for the whole country which would lead you into \$40 or \$50 or something of that sort is to leave the matter to the States, with merely the discretionary power vested in some official—not necessarily the Federal Emergency Relief Administrator if you desire some other official—to determine whether a State, in view of its own conditions, is paying a reasonable subsistence. That is a power such as you have in the highway grants under which, if the conditions of the law are not met, the payments will be stopped.

Senator CONNALLY. You say, "Leave it to the States." Why should we leave it to the States if you give the Administrator power to determine what is a reasonable subsistence?

Mr. WITTE. The Administrator's power is only to stop payment.

Senator CONNALLY. Certainly it is to stop payment. You might choke a man to death, but he is just as dead as if you shot him.

The CHAIRMAN. If we wrote a provision into the law which said that each State can pass its own rates for old-age pensions for people over 65 years of age, that they shall have the power to enact into law any amount they desire for old-age pensions, that the Federal Government would pay up to \$15 but we will match any amount that the State paid under the \$15, and up to the \$15, would that be satisfactory?

Mr. WITTE. That is the first alternative suggestion I have discussed.

The CHAIRMAN. That would leave it entirely to the States and that would insure each State that if it did pass a law and it was appropriating a certain amount the Federal Government would match it up to a certain amount. It could go higher if it wanted to.

Senator BYRD. Do you approve of that, Doctor?

Mr. WITTE. As I stated, the policy represented in the bill, in which you have a flexible standard instead of attempting to say, \$30, \$40, \$50, or \$200, is the method that will be found to best meet the varying conditions all over the country.

The CHAIRMAN. That is better than the present method, isn't it?

Mr. WITTE. Certainly.

Senator BYRD. Let me understand now. Are you willing to amend the bill so the Federal Government will contribute an amount equal to the amount which is contributed by the State, regardless of how small that amount will be?

Mr. WITTE. The power of amendment is in the Congress.

Senator BYRD. This is Federal legislation. Are you willing to agree that that is a good amendment?

Mr. WITTE. I have outlined the three alternative policies. My personal conviction is that the suggestion made by the committee is the one that should be adopted.

Senator BYRD. What suggestion has the committee made? In other words, you favor the bill as it stands, without making any changes, which gives the power to the Federal Administrator to withdraw the appropriation from any State that does not set up a standard of living that the Administrator thinks it should have?

Mr. WITTE. That is a possibility, I will grant you, but the standard is the flexible standard of whatever is necessary for reasonable subsistence, under the conditions that the aged person lives under.

Senator BYRD. What I am getting at, Doctor, do you favor the proposition that the Federal Relief Administrator determine that standard, or do you favor the proposition that the States determine that standard?

Mr. WITTE. That the States determine that standard.

Senator BYRD. Then the Federal Administrator has the right to disagree with the State and withdraw the Federal appropriation. Do you favor that?

Mr. WITTE. I support the bill; yes, sir.

Senator BYRD. That is what I am getting at.

Mr. WITTE. It is a question of policy, whether you wish to do that.

The CHAIRMAN. If you can do that you would rather have the other plan?

Mr. WITTE. I have outlined the three possibilities, all of which are reasonable solutions of this problem.

The CHAIRMAN. You are very fair about it.

Senator CONNALLY. Doctor, you believe in giving the State complete freedom to fix this matter of rates, just so it will fix it in a way to please the Federal Administrator?

Mr. WITTE. No, sir.

Senator CONNALLY. I am not trying to be facetious, but I want to ask you this: Of course, this country is a big country and there are a lot of different kinds of people in it; there are a lot of different kinds of climate, soil, and other conditions that people live under. If a State in a certain section of the country only raised \$10 a month and the Federal Government gave \$10 a month, that would be \$20. I know thousands of old couples that probably have a little home in the country or the town and that is just the margin that pays them, that is just enough to put them over the fence. You ought not to judge that kind of benefit by the fellow that lives in some big city that has to pay rent, car fare, taxi fare, and go to the picture shows, and all that sort of thing.

Mr. WITTE. My testimony has been, Senator, that the whole matter of old-age pensions varies with the conditions under which the old persons live.

Senator CONNALLY. The part I am getting at, who is better able to determine that? The people that are down in the State where the old couple lives or some Federal administrator that has never been in that State, perhaps, and does not know anything about the living conditions? Who is better to say how much help they need?

Mr. WITTE. The theory of the bill is that the State will determine it in the first instance and that the administrator will interfere, if at all, only in extreme emergencies. If you do not agree with that, the course of action is to strike out section 7 of the bill.

Senator CAPPER. Do you think, Doctor, that the theory, as you have outlined it, would be acceptable to the States?

Mr. WITTE. I think there is no difficulty. You have written some standards into every grant in aid that you have ever enacted and the number of clashes that have occurred between Federal administrators and States under these acts are so few I am sure you can count them on your fingers.

The CHAIRMAN. I think we ought to get an expression from the Governors of these States. I do not mean through some Congressman. I wonder if it is not feasible for the chairman of this committee to get an expression from the Governors of the various States?

Mr. WITTE. If you think it would be advisable we will get an expression as to what they think.

The CHAIRMAN. I think it would be a good idea to get an expression from them on that point.

Senator BYRD. I think whoever propounds that question should make it entirely clear. The doctor is not entirely clear as to what the act means.

Mr. WITTE. We will send them the act itself.

(Subsequently, the chairman received the following letter and tables from Mr. Witte.)

COMMITTEE ON ECONOMIC SECURITY,
Washington, February 4, 1935.

HON. PAT HARRISON,
Chairman, Senate Finance Committee,
United States Senate.

DEAR SENATOR HARRISON: Among the material which I was asked to prepare for incorporation in the hearings on the proposed Economic Security Act was data relating to the cost to the Federal Government of the old-age security part of this program. Complying with this instruction of the committee, I am herewith submitting four tables, giving the following data:

Table I: Cost of the Federal subsidy to State old-age assistance laws, showing separately what this cost would be if no contributory annuity system is established, and if such a system is set up as proposed in the bill.

Table II: The progress of the reserves under the compulsory annuity system as contemplated in the bill, and the total cost to the Federal Government for both old-age assistance and old-age annuities.

Tables III and IV: The two principal alternative plans considered by the Committee on Economic Security under which the contributory annuity system can be made entirely self-sustaining. Table III shows the results if all partially unearned annuities are eliminated; table IV, if the contribution rates are increased from 1 to 5, to 2 to 6 percent.

Should the committee desire anything further on this subject, we shall be glad to be advised of your wishes.

Very truly yours,

COMMITTEE ON ECONOMIC SECURITY,
EDWIN E. WITTE,
Executive Director.

TABLE 1.—Federal subsidy to State old-age assistance laws

PART A. SUBSIDY IF COMPULSORY ANNUITY PLAN IS NOT ADOPTED

Year	Number receiving old-age grants (in thousands)	Amount of Federal subsidy (in millions of dollars)	Year	Number receiving old-age grants (in thousands)	Amount of Federal subsidy (in millions of dollars)
1936-----	897	136.6	1950-----	4,675	711.8
1937-----	1,307	199.0	1955-----	5,844	889.7
1938-----	1,765	268.7	1960-----	6,801	1,035.5
1939-----	2,287	348.2	1965-----	7,169	1,091.5
1940-----	2,746	418.1	1970-----	7,533	1,146.9
1941-----	2,895	440.8	1975-----	8,007	1,219.1
1945-----	3,631	552.8	1980-----	8,501	1,294.3

EXPLANATION.—These estimates were made by the actuaries of the Committee on Economic Security in consultation with the Advisory Committee of Consulting Actuaries. They are based on the following assumptions: (1) Dependency ratio of 15 percent in 1936, increasing to 20 percent in 1937, 25 percent in 1938, 30 percent in 1939, 33 percent in 1940, and thereafter, by 1-percent increments, to maximum of 50 percent in 1957 and subsequent years; (2) average total grant of \$25 per month from State and Federal Governments combined; (3) Federal subsidy of one-half of total costs, excluding that portion of individual grants in excess of \$30 per month and that portion of administration expenses in excess of 10 percent of total pension payments. The actuaries in their report state that the estimates in the early years of the system do not allow for a probable lag in the coming into full operation of the State old-age assistance laws and are, therefore, high.

Should the dependency ration reach only a maximum of 40 percent (by 1961) and the pension grants average only \$20 per month, the cost of the Federal subsidy in the first year would total only \$72,200,000; by 1940, \$199,100,000; by 1950, \$397,300,000; by 1965, \$722,700,000; and by 1980, \$856,800,000.

PART B. SUBSIDY IF COMPULSORY ANNUITY PLAN IS ADOPTED AS PROPOSED IN BILL

Year	Number receiving old-age grants (in thousands)	Amount of Federal subsidy (in millions of dollars)	Year	Number receiving old-age grants (in thousands)	Amount of Federal subsidy (in millions of dollars)
1936-----	897	136.6	1950-----	3,525	536.7
1937-----	1,307	199.0	1955-----	3,752	571.3
1938-----	1,765	268.7	1960-----	3,777	575.0
1939-----	2,287	348.2	1965-----	3,496	532.2
1940-----	2,746	418.1	1970-----	3,377	514.1
1941-----	2,812	428.1	1975-----	3,344	509.1
1945-----	3,205	487.9	1980-----	3,308	503.6

EXPLANATION.—These estimates were made by the actuaries and consulting actuaries of the Committee on Economic Security, on the same assumed dependency rates and average pension grants among people not under the compulsory system set forth in part A of this table. If the dependency rates and average pension grants of the alternative estimate explained in part A of this table should prevail, the cost of the Federal subsidies would be very much less, especially in the later years, totalling in 1980, \$116,300,000, instead of \$503,600,000 as shown above.

TABLE II.—*Old-age insurance plan of bill*

PART A. PROGRESS OF RESERVE

[All estimates in millions of dollars]

Year	Net contributions ¹	Interest on reserve	Federal subsidy	Benefit payments	Reserve end of the year
1937.....	306.0	0.0	0.0	0.7	305.3
1938.....	308.9	9.2	0.0	2.0	621.5
1939.....	312.0	18.7	0.0	3.3	948.8
1940.....	314.9	28.4	0.0	4.8	1,287.3
1945.....	672.3	106.0	0.0	190.1	4,123.5
1950.....	1,073.3	211.9	0.0	577.1	7,770.7
1955.....	1,520.0	329.6	0.0	1,149.6	11,687.2
1960.....	1,979.2	431.9	0.0	1,924.8	14,880.1
1965.....	2,058.3	470.0	0.0	2,532.8	15,660.4
1970.....	2,137.5	468.0	507.3	3,112.8	15,600.0
1975.....	2,216.7	468.0	926.5	3,611.2	15,600.0
1980.....	2,216.7	468.0	1,387.9	4,072.5	15,600.0

¹ Joint contributions less administration expenses as follows:

Years	Joint contributions as percent of pay rolls	Expenses as percent of contributions	Years	Joint contributions as percent of pay rolls	Expenses as percent of contributions
1937-41.....	1	10	1952-56.....	4	5
1942-46.....	2	8½	1957-80.....	5	5
1947-51.....	3	6½			

EXPLANATION.—The annuities proposed to be paid under this plan to persons retiring at age 65 after, at least, 5 years of contributions are the following:

(a) To persons who enter the system in the first 5 years; an annuity of 15 percent of the average wages on which contributions were paid, plus 1 percent additional for each year of contributions above 5 but not more than 10 and 2 percent additional for each year of contributions in excess of 10 years up to a maximum of 40 percent.

(b) For those entering the system in 1942 and thereafter; 10 percent for the first 5 years of contributions, plus 1 percent for each additional year of contributions.

Where contributors die before reaching retirement age or before they have drawn annuities equal to their own contributions with 3 percent interest, their heirs will receive their contributions plus interest, less any sum paid to the deceased worker as an annuity.

PART B. COST TO THE FEDERAL GOVERNMENT FOR BOTH CONTRIBUTORY OLD-AGE ASSISTANCE AND THE CONTRIBUTORY ANNUITIES

[All estimates in millions of dollars]

Year	Federal subsidy old-age assistance	Federal subsidy to insurance plan	Total cost under combined program	Year	Federal subsidy old-age assistance	Federal subsidy to insurance plan	Total cost under combined program
1936.....	136.6	0.0	136.6	1955.....	571.3	0.0	571.3
1937.....	199.0	0.0	199.0	1960.....	575.0	0.0	575.0
1938.....	268.7	0.0	268.7	1965.....	532.2	165.7	697.9
1939.....	348.2	0.0	348.2	1970.....	514.1	632.8	1,146.9
1940.....	418.1	0.0	418.1	1975.....	509.1	1,034.3	1,543.4
1945.....	487.9	0.0	487.9	1980.....	503.6	1,478.7	1,982.3
1950.....	536.7	0.0	536.7				

EXPLANATION.—The cost figures here presented are believed to be outside estimates. Should future dependency ratios and average old-age assistance grants be no higher than indicated in the alternative estimate mentioned in part A of table I, the total cost of the combined program by 1980 will be \$1,595,000,000.

TABLE III.—*Plan M2: No unearned annuities; rates as in bill*

PART A. PROGRESS OF RESERVE

{All estimates in millions}

Year	Net contributions	Interest on reserve	Federal contribution	Benefit payments	Reserve end of year
1937	306.0	0.0	0.0	0.7	305.3
1938	308.9	9.2	0.0	2.0	621.5
1939	312.0	18.7	0.0	3.3	948.8
1940	314.9	28.4	0.0	4.8	1,287.3
1945	672.3	113.5	0.0	26.8	4,541.5
1950	1,073.3	266.5	0.0	91.5	10,134.7
1955	1,520.0	497.2	0.0	227.6	18,364.7
1960	1,979.2	807.5	0.0	488.7	29,214.1
1965	2,058.3	1,155.7	0.0	863.9	40,874.3
1970	2,137.5	1,505.2	0.0	1,372.7	52,444.3
1975	2,216.7	1,830.4	0.0	2,087.3	62,974.5
1980	2,216.7	2,086.7	0.0	3,038.1	70,822.5

ILLUSTRATIVE ANNUITIES

Years of contribution	Monthly annuity based on level monthly wage of—			Years of contribution	Monthly annuity based on level monthly wage of—		
	\$50	\$100	\$150		\$50	\$100	\$150
5	\$0.24	\$0.48	\$0.72	30	7.12	14.23	21.35
10	.78	1.55	2.33	35	9.79	19.57	29.36
15	1.68	3.35	5.03	40	12.95	25.90	38.85
20	3.02	6.03	9.05	45	16.69	33.37	50.06
25	4.88	9.75	14.63				

EXPLANATION.—Contribution rates as in bill. Annuities on an earned basis only; the amounts of which are shown in the Illustrative Annuities. Death benefits and refunds as in bill.

PART B. COSTS TO FEDERAL GOVERNMENT FOR BOTH NONCONTRIBUTORY OLD-AGE ASSISTANCE AND CONTRIBUTORY ANNUITIES

{All estimates in millions of dollars}

Year	Federal subsidy old-age assistance	Federal subsidy to insurance plan	Total cost under combined program	Year	Federal subsidy old-age assistance	Federal subsidy to insurance plan	Total cost under combined program
1936	136.6	0.0	136.6	1955	841.6	0.0	841.6
1937	199.0	0.0	199.0	1960	937.5	0.0	937.5
1938	268.7	0.0	268.7	1965	922.4	0.0	922.4
1939	348.2	0.0	348.2	1970	889.6	0.0	889.6
1940	418.1	0.0	418.1	1975	828.0	0.0	828.0
1945	548.9	0.0	548.9	1980	717.3	0.0	717.3
1950	693.8	0.0	693.8				

EXPLANATION.—The Federal subsidy to old-age assistance has been computed on the future dependency ratios and the average assistance grants estimated by the actuaries, and is, thus, comparable with the corresponding figures in tables II and IV. Should either of these estimates prove too high, the Federal subsidy and the total cost under the combined program will be correspondingly reduced.

TABLE IV.—*Plan M11: 2 to 6 percent contribution rate with partially unearned annuities to persons now half old*

PART A. PROGRESS OF RESERVE

[All estimates in millions]

Year	Net contributions	Interest on reserve	Federal contribution	Benefit payments	Reserve at end of year
1937.....	623.3	0.0	0.0	1.3	622.0
1938.....	629.5	18.7	0.0	4.0	1,266.1
1939.....	635.6	38.0	0.0	6.7	1,933.0
1940.....	980.0	58.0	0.0	10.8	2,960.2
1945.....	1,393.3	237.5	0.0	207.6	9,338.8
1950.....	2,185.1	498.7	0.0	623.6	18,682.8
1955.....	2,280.0	796.8	0.0	1,223.5	28,413.6
1960.....	2,375.1	1,046.5	0.0	2,023.2	36,281.7
1965.....	2,470.0	1,231.5	0.0	2,628.4	42,122.5
1970.....	2,565.1	1,370.0	0.0	3,191.2	46,408.9
1975.....	2,660.0	1,462.3	0.0	3,692.3	49,173.3
1980.....	2,660.0	1,502.3	0.0	4,146.3	50,093.7

ILLUSTRATIVE ANNUITIES

Years of contribution	Monthly annuity based on level monthly wage of—			Years of contribution	Monthly annuity based on level monthly wage of—		
	\$50	\$100	\$150		\$50	\$100	\$150
5.....	\$7.50	\$15.00	\$22.50	30.....	\$20.00	\$40.00	\$60.00
10.....	10.00	20.00	30.00	35.....	22.50	45.00	67.50
15.....	12.50	25.00	37.50	40.....	25.00	50.00	75.00
20.....	15.00	30.00	45.00	45.....	27.50	55.00	82.50
25.....	17.50	35.00	52.50				

Explanation

Contribution rates:	Percent
1937 to 1939.....	2
1940 to 1942.....	3
1943 to 1945.....	4
1946 to 1948.....	5
1949 and thereafter.....	6

Annuities: (a) For persons who when system is established are 40 years of age and over: 15 percent for first 5 years of contributions and 1 percent for each additional year, and (b) for persons who are under 40 years of age when the system is established: 1 percent for each year of the first 15 years of contributions, plus 2 percent for each of the next 10 years of contributions, plus 1 percent for each year of contributions beyond 25 years.

Death benefits and refunds as in bill.

PART B. COSTS TO FEDERAL GOVERNMENT FOR BOTH NONCONTRIBUTORY OLD-AGE ASSISTANCE AND CONTRIBUTORY ANNUITIES

[All estimates in millions of dollars]

Year	Federal subsidy old-age assistance	Federal subsidy to insurance plan	Total cost under combined program	Year	Federal subsidy old-age assistance	Federal subsidy to insurance plan	Total cost under combined program
1936.....	136.6	0.0	136.6	1955.....	571.3	0.0	571.3
1937.....	199.0	0.0	199.0	1960.....	575.0	0.0	575.0
1938.....	268.7	0.0	268.7	1965.....	532.2	0.0	532.2
1939.....	348.2	0.0	348.2	1970.....	514.1	0.0	514.1
1940.....	418.1	0.0	418.1	1975.....	509.1	0.0	509.1
1945.....	487.9	0.0	487.9	1980.....	503.6	0.0	503.6
1950.....	536.7	0.0	536.7				

EXPLANATION.—The Federal subsidy to old-age assistance is estimated on a final 50 percent dependency ratio and average assistance grants of \$25. If the dependency ratio should not exceed 40 percent and the grants average only \$20, the cost in 1980 is estimated at only \$116,300,000.

The CHAIRMAN. The committee will recess until 10 o'clock tomorrow morning.

(Whereupon at the hour of 12 noon, the committee recessed until 10 a. m. of the following day, Friday, Feb. 1, 1935.)

9368-4876

ECONOMIC SECURITY ACT

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-FOURTH CONGRESS

FIRST SESSION

ON

S. 1130

A BILL TO ALLEVIATE THE HAZARDS OF OLD AGE,
UNEMPLOYMENT, ILLNESS, AND DEPENDENCY,
TO ESTABLISH A SOCIAL INSURANCE BOARD
IN THE DEPARTMENT OF LABOR, TO
RAISE REVENUE, AND FOR
OTHER PURPOSES

PART 5

FEBRUARY 1 and 2, 1935



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ECONOMIC SECURITY ACT

FRIDAY, FEBRUARY 1, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in the Finance Committee Room, Senate Office Building, Senator Pat Harrison, chairman, presiding.

Present: Senators Harrison (chairman), King, Connally, Costigan, Clark, Byrd, Lonergan, Black, Gerry, Guffey, Couzens, Keyes, Hastings, and Capper.

The CHAIRMAN. The committee will come to order.

STATEMENT OF ROBERT JOLLY, OF HOUSTON, TEX., CHAIRMAN OF JOINT COMMITTEE AND PRESIDENT AMERICAN HOSPITAL ASSOCIATION

The CHAIRMAN. You represent the American Hospital Association?

Mr. JOLLY. I represent the committee of the American Hospital Association, the Catholic Hospital Association of America, and the Protestant Hospital Association of America.

The CHAIRMAN. Proceed.

Mr. JOLLY. The joint committee of the American Hospital Association, the Catholic Hospital Association of America, and the Protestant Hospital Association of America, referring to S. 1130, respectfully submit to the consideration of the Committee on Finance of the Senate the following which we suggest be adopted as amendments to S. 1130.

1. That all hospitals organized and operated "not for profit" and no part of whose earnings accrues to the benefit of any private person or individual be totally exempt from the payment of any taxes imposed by this bill.

2. That no provision of this act be ever interpreted as prohibiting or preventing the use of funds made available under this act for disbursement to a public or private nonprofit charitable institution for any service rendered to any person who is a beneficiary of this act, and that no person otherwise a beneficiary of this act be deprived, by reason of being an inmate of a charitable institution, of benefits provided by this act.

I would like to give the reasons for presenting this:

1. The three hospital associations represented by the joint committee speak for a total of 6,437 hospitals in the United States. Of this number 1,776 are Government hospitals, leaving 4,661 hospitals not Government owned.

The CHAIRMAN. You are speaking now of the unemployment-insurance tax, old-age tax, and what not?

Mr. JOLLY. Yes, sir.

Of these 4,661 hospitals, approximately 4,500 are nonprofit hospitals. The others not being organized "not for profit" are excluded from our recommendations. These nonprofit hospitals are truly public-service corporations and as such have a partnership with the Government in providing for the general welfare and in the execution of the plan embodied in the bill for the relief of indigency and distress in the interest of greater social security.

2. Nonprofit hospitals are not industries but they are charities, organized and operated for the common weal, without thought of profit and with the only purpose of affording to the maximum limit of their resources adequate hospital care for all our people when and as needed.

3. Nonprofit hospitals are unlike industries in that they do not experience heavy fluctuation in employment of personnel during periods of depression, but with the increase of hospital care given, particularly in assuming the increased load for the care of indigent and unemployed, hospitals maintain a rather definite standard of numbers of employed personnel; the ratio of employed personnel to patients remaining practically the same during all periods.

You see, we cannot fire people and take them back as the load comes on and goes off. We have to have a continuous personnel, because a hospital has to be ready at 15 minutes' notice to take care of everything that comes in, so we have to have our personnel at all times.

4. Heavy withdrawals from the income of nonprofit hospitals for the purpose of this or other taxes reduces by the amount withdrawn the financial ability to give hospital care to the indigent and unemployed.

If we should have to pay this tax, that would take just that much money out of our hospitals to take care of the indigent people that come in. A nonprofit hospital is one that is organized not for profit, and any money that comes into the hospital from pay patients over and above what it costs absolutely to take care of that patient goes to take care of the indigent patients. If we had to pay taxes, this money would be taken out of our treasury and we could not take care of all of the indigent patients that we take care of.

5. Nonprofit hospitals have no opportunity through the increase of their rates for service to cover the costs incident to unemployment insurance, as industries and commercial enterprises have.

A commercial enterprise can put an extra charge on its sales and get its money back. Hospitals cannot do that. We have just about a set figure that you can charge for hospitalization. If you charge more, the people cannot come and they do not come, so we cannot change our prices up and down in hospitals. We have to keep them pretty uniform all the way through. We cannot do things like industries do, we do not want to be classed that way—as an industry. We are not operated as an industry.

The CHAIRMAN. What is the provision of the bill for exemptions?

Mr. JOLLY. There is none.

The CHAIRMAN. There are no exemptions?

Mr. JOLLY. No, sir; hospitals are not mentioned.

Senator COUZENS. You do not have much of a problem of unemployment, do you?

Mr. JOLLY. We do not, because we have to keep about the same number of people in the hospital all the time. Instead of turning people off, we reduce their salaries. Some hospitals reduced their salaries 50 and some 60 percent. I know some hospitals where the hospitals had their people work the last year for nothing, just for their room and board, because of their love of the hospital and of the work.

The CHAIRMAN. States can make their proper exemptions and so forth, but your anxiety is that this tax imposed by the Federal Government would be a burden upon the hospitals unless an exemption were written into the law?

Mr. JOLLY. Yes, sir.

6. Unemployment in hospitals has not been a serious factor in hospital problems.

7. Employment in hospitals is dependent upon the amount of sickness and not upon the condition of industry.

8. The hospital load tends to increase during periods of general unemployment. That is, the indigent load increases. The pay load decreases because people cannot afford to come. But our receipts are lowered and the indigent come in larger numbers.

9. Nonprofit hospitals in such periods meet their financial problem not by the discharge of employees but through the reduction of salaries and wages, and that as a consequence an enforced payment into an unemployment pool would result in a reduction in the salaries and wages of employees in hospitals without their ever being able to draw any appreciable result.

As I said a moment ago, I can tell you some hospitals who made this sort of an arrangement with their workers and the people on the pay roll. They said, "We will pay you for the food and supplies in the hospital, and when that is all done, whatever is left we will divide up among the folks that work here", and there are some hospitals that have been working that way in the last 3 or 4 years.

10. The annual pay roll of the nonprofit hospitals of America amounts to \$121,500,000. The pay roll of hospitals constitutes about 30 percent of the total cost of operation.

So you see, if you put that tax on our pay rolls, what you do with the hospitals. A lot of them would have to close. A lot of them have already closed up. Over 400 hospitals have closed in the last 5 years. There has been too big a pressure, too big a squeeze; they could not go on. I say that about 30 percent is about the average expense of the hospitals—that is the average. In some places it is more. In Cleveland, Ohio, it is 55 percent of the expense of the hospital allocated to pay roll.

The CHAIRMAN. Was this matter presented to the President's committee when they were drafting the bill?

Mr. JOLLY. No, sir.

The CHAIRMAN. You had no opportunity to know just what was going on until these bills were introduced?

Mr. JOLLY. No, sir; we did not see the bill until it was printed and sent out.

The CHAIRMAN. Very well, proceed.

11. Hospitals have had an increased burden of indigent sick without Government relief except in 3 or 4 States. Relief agencies have fed and clothed and housed the indigent but the moment they need hos-

pitalization the relief agencies have taken the attitude that the hospitals always have cared for the indigent so let them do so now, ignoring the fact that in addition to an increase of free patients the hospitals have had a falling off to earnings from pay patients and a falling off of donations from philanthropically minded people to about 40 percent of what such donations were in 1929 and 1930.

The CHAIRMAN. What was been the policy of relief organizations with reference to these hospitals? Don't they pay them something?

Mr. JOLLY. No, sir; there was some arrangement in the C. W. A. for a little while, but that was pulled out. What the hospitals got there for taking care of a patient was \$2.50 a day for the whole time, but the doctor got his money first. Our own hospital in Houston got nothing from the C. W. A. funds. We cannot get anything from the relief agencies, State or Federal. We have had to take not only the burden that we have always had, but this increased burden. When a relief patient comes to the hospital, the relief agency says, "Hands off for us", and the entire burden is placed upon the hospital.

Senator COUZENS. When you say "relief agency," you mean Government relief agencies?

Mr. JOLLY. Yes, sir.

Senator COUZENS. The private relief agencies have always taken care of you through community drives, and so forth?

Mr. JOLLY. Yes. I am talking of the governmental agencies. If it were not for the fact that we can get some donations, there would have been four or five hundred other hospitals closed up, but remember that has been decreasing too down to 40 percent, and a lot of the hospitals that have endowments, the money that they have had from endowments, the capital has not decreased but the dividends from endowments in some instances have gone down to almost nothing, so that they have nothing to run on.

12. Nearly 400 voluntary nonprofit hospitals ceased operation in the past 5 years because the financial burden became too heavy.

This is signed by the chairman of the joint committees.

The CHAIRMAN. Let me ask you, what are the views of your organization with reference to the provisions in the bill for Federal contributions to States for health and crippled children.

Mr. JOLLY. We are for both. We think it is a good thing. We believe in the whole thing, but we do believe that the hospitals, who have been carrying this load through all of the years, and are still carrying the load, and an increased load, ought to be exempt from the taxation. We think that all of the people who work for us ought to participate in the benefits of this, but we do not believe that our people nor the hospitals ought to be taxed to take care of that.

The CHAIRMAN. I think the committee understands your viewpoint.

Mr. JOLLY. Thank you very much.

Senator COUZENS. Do you object to the contributions for the old-age pensions?

Mr. JOLLY. Yes, sir; we feel like we ought to be exempt from all of it.

Senator COUZENS. Old age and all?

Mr. JOLLY. Yes, sir.

The CHAIRMAN. Thank you very much.

**STATEMENT OF DR. WILLIAM N. LEISERSON, CHAIRMAN OF THE
NATIONAL MEDIATION BOARD**

The CHAIRMAN. You are chairman of the National Mediation Board, Dr. Leiserson?

Mr. LEISERSON. Yes, sir.

The CHAIRMAN. What is the other background you have, so that we can have it in the record?

Mr. LEISERSON. I was a member of this technical board which compiled the data on this Social Security bill, but particularly on the unemployment insurance provisions. I worked particularly on the unemployment insurance provision. Prior to that I had been chairman of the Ohio Commission on Unemployment Insurance that prepared the so-called "Ohio plan" of unemployment insurance as distinguished from the Wisconsin plan of unemployment insurance.

The CHAIRMAN. Did you help to draft the Ohio plan?

Mr. LEISERSON. Yes, sir.

The CHAIRMAN. What is that plan in substance?

Mr. LEISERSON. In substance it is that unemployment should be handled on an insurance basis with a pooled insurance fund as distinguished from the Wisconsin idea which is that unemployment should be handled merely by individual employers, laying aside a certain amount of money and using that money to remunerate or compensate any people that they may happen to lay off.

The CHAIRMAN. What is the tax imposed?

Mr. LEISERSON. Under the Wisconsin plan?

The CHAIRMAN. Under the Ohio plan.

Mr. LEISERSON. It is 3 percent, 2 percent paid by the employer and 1 percent by the employee.

The CHAIRMAN. When was it passed?

Mr. LEISERSON. It was not passed; it was reported in 1932 to the legislature, passed one house but was not reported out by the committee in the other house.

The CHAIRMAN. So you have not the law yet?

Mr. LEISERSON. No, sir.

The CHAIRMAN. All right; proceed.

Mr. LEISERSON. The idea of the unemployment insurance provisions of this bill is that it is desirable as a security measure to use the principle of insurance for as many of the unemployed as it is possible to apply the principle of insurance to; that is to say, it is not possible to use the principle of insurance for all of the unemployed. It is possible to use the principle of insurance for the majority of the wage earners of the country, but not for all of those who are unemployed, and I will explain that presently.

If we are to use the principle of insurance, it is very plain that this principle cannot be used for the people who are now out of work, because the people who are now out of work are in the sense like people who have had their house burned down but carried no fire insurance. If they carried no fire insurance, you cannot make payments to them and then call it insurance. Whatever payments you do make are a relief in one form or another.

This bill provides that for those people who either are now at work or who are going to work from now on, those unemployed who get back to jobs, that as soon as they get back to work and have a

job, that they shall be insured against the future recurrence of unemployment. You cannot insure a person until he has a job and payments have been made, premiums paid, either by himself or in his behalf to take care of the emergency that will come later, through temporary unemployment for a shorter period, like seasonal unemployment or for a longer period.

So this clearly looks toward the security or providing a measure of security for those who are at work and who spend most of their time working. If, for example, a person is a casual wage earner, that either on his own account because he has some lack of quality or physical ability he cannot hold a steady job, insurance would not apply to him because he is not working steadily enough to pay the premiums or to have the payments of premiums paid in his behalf by the employer. And similarly if the employer's work is of a character to be casual, you cannot handle casual labor on the principle of insurance. But for the vast majority of wage earners that ordinarily support themselves by labor and their jobs, and ordinarily do not appear on the charity rolls of the community for those people I regard the principle of insurance as most important. That will not take in all those who suffer unemployment, but the majority of them.

Senator COUZENS. Do you mind an interruption there?

Mr. LEISERSON. Not at all.

Senator COUZENS. You spoke of the casual worker. I understand the employer has to pay the 3 percent on the casual worker's pay roll just the same.

Mr. LEISERSON. I think that would be true under this act. On the other hand, if the individual employee worked casually for one employer after another and appeared on enough pay rolls, he would be insurable in that way too, because it is provided that in general the proportion—he can draw one premium to four payments, so that if there have been four payments in his behalf, it would be possible for him to draw payments in that way, but where ordinarily he is a casual laborer in the sense of a person who just come to take a load of lumber and help to unload a load of lumber for half a day or so, he would be excluded from the act.

Senator COUZENS. Yes; but the employer would still have to pay on the pay roll.

Mr. LEISERSON. I think not.

Senator COUZENS. I do not find any deductions, presumably, under the bill for that.

The CHAIRMAN. Would that not apply, if in the aggregate there were 13 weeks of employment for four persons, and of course you would take that into consideration if he worked half a day in reckoning whether there was 13 weeks of employment there. Isn't that true?

Mr. LEISERSON. That is true.

Senator COUZENS. The 13 weeks of employment does not apply to the individual.

The CHAIRMAN. No, but it applies to the tax, doesn't it, Doctor, that he has to pay?

Senator COUZENS. No, if he has 4 or more employees for 13 weeks during the year, then he has to pay his 3 percent on the pay roll. I do not find any exemptions from the assessment of 3 percent of the pay roll in this bill.

Mr. LEISERSON. In the definition of "employer" under the act it states—

The CHAIRMAN (interrupting). What page is that on?

Mr. LEISERSON. At page 43, beginning with line 23 [reading]:

In determining whether an employer employs enough persons to be an "employer" subject hereto, and in determining for what tax he is liable hereunder, he shall whenever he contracts with any subcontractor—

That is only dealing with the problem where he contracts out.

Senator COUZENS. This refers to the subcontractors. That does not cover the point I had in mind.

Mr. LEISERSON. That is true. Before that, on line 17, if he has employed these persons "within each of 13 or more calendar weeks in the taxable year."

The CHAIRMAN. That is where?

Mr. LEISERSON. On page 43, line 17. If he has employed [reading]—

within each of 13 or more calendar weeks in the taxable year, at least four persons in employment subject to this title.

Under "employment" I think as it is written here, Senator, it is correct that he would pay in behalf of the casual employee.

Senator COUZENS. As I understand it, he pays 3 percent on his total pay roll, no matter how he pays it out?

Mr. LEISERSON. That is correct. I may say though, in the State bills that have been introduced, whether under the Ohio plan or under the Wisconsin plan, the usual proposal has been that casual labor is defined, and unless a person has had at least 4 weeks of work steadily or he has had a day or two regularly each week for a longer period, he is considered a casual laborer and exempted from the act. That is the way the problem of casual labor has been approached in these bills that have appeared in the States.

Senator HASTINGS. Doctor, has your committee or anybody representing the administration drawn the kind of a bill which they think the legislatures of the various States ought to adopt?

Mr. LEISERSON. Our committee has worked on a form of State bill—it has alternative forms rather than any one—that might be adopted by various States under the general provisions of this act.

Senator HASTINGS. Is it a very lengthy thing?

Mr. LEISERSON. This is as much of it as I have had [indicating]. I do not know that it has been finally approved by the committee, but this is what we have been working on, and it has several alternative proposals.

Senator HASTINGS. Mr. Chairman, I think it would be very helpful if the committee had before it the kind of a bill that the administration proposes to recommend to the various States. A great deal of the testimony given here is based upon the legislatures doing certain things. This bill does not require them to do any particular thing except to enact an insurance law for the workmen's insurance, a workmen's insurance law of some kind. I think if either now or at some time when that recommendation is perfected, that it would be a good thing to have it in our record.

The CHAIRMAN. Doctor, is that the draft of the one that will be suggested to the States?

Mr. LEISERSON. That is right.

The CHAIRMAN. Has that been approved by the committee?

Mr. LEISERSON. Not yet. It was sent to me to go over and send in suggestions.

The CHAIRMAN. Who got that up?

Mr. LEISERSON. The staff of the committee, with the assistance of the subcommittee on Unemployment Insurance.

The CHAIRMAN. Have you approved that yet?

Mr. LEISERSON. I have said that I think this is all right on the whole.

The CHAIRMAN. But the committee has not yet approved it?

Mr. LEISERSON. So far as I know, no, because I have not been informed as to the final way in which it would be recommended.

The CHAIRMAN. Senator Hastings, do you want this in the record for what it may be worth? It would seem to me that it would be better if we had one that had received the approval of the committee.

Mr. LEISERSON. I shall be glad to tell the committee to send over the final one that is approved and put it in the record.

The CHAIRMAN. I should think that would be better, don't you, Senator?

Senator HASTINGS. I agree with you.

Senator BLACK. May I ask you when you think it will be approved?

Mr. LEISERSON. It ought to be ready very soon now, because this came to me a week or so ago, and each of us was sending in our suggestions on it.

Senator BLACK. The reason I ask is that I have a letter from a State senator in Vermont who is very anxious to get a bill offered immediately and says that it is necessary that one be offered at once by reason of their legislative situation. Could it be possible for me to send him even the tentative proposals which you have?

Mr. LEISERSON. I think so. There are alternatives in here. What this is based on is partly the Ohio bill and partly the insurance bill recently introduced in New York State, and partly the Wisconsin act.

Senator BLACK. Have you an extra copy of that which is available?

Mr. LEISERSON. Yes, I can give you one.

The CHAIRMAN. Doctor Leiserson, will you communicate with Miss Perkins as Chairman of the Board, the wish of the committee that we might be furnished one that has received the approval of the Committee?

Mr. LEISERSON. Yes, sir; and I will have it done quickly.

The CHAIRMAN. And to get it to us as soon as possible?

Mr. LEISERSON. I will.

If we start with the premise that we want to use the principle of insurance, then in dealing with that part of the problem that is capable of being handled by insurance, there are certain things that follow that are important to bear in mind. First, how much premium shall you pay for the insurance? This bill provides that there shall be a 3 percent tax which really is the premium.

Why is it 3 percent? Insurance is not magic; you can buy only the amount of insurance that you can afford to pay for, and you will find in the Committee's report, the report of the Committee on Economic Security to the President, which I suppose has been mentioned to you before, you will find a table in that report on page 13, in which it lists roughly how much insurance you can buy for 3 percent of pay rolls, for 4 percent, or 5 percent of pay rolls.

In the report of the Ohio Commission on Unemployment Insurance, we prepared a more detailed table on the same question, that is, assuming that you use 2 percent of the pay roll—

The CHAIRMAN (interrupting). Does that report just apply to Ohio or does it apply to the country?

Mr. LEISERSON. Ohio only. Of course, it considers the problem of unemployment the country over, but it is purely a report of a committee appointed by the Legislature of Ohio to the Governor, in pursuance of a resolution of the legislature.

Senator KING. Did you participate in that?

Mr. LEISERSON. Yes, sir. There we figured out that if you had 2½ percent of pay rolls, as the premium, that could purchase insurance for a period of something like 15 weeks if the insurance were 50 percent of normal earnings, with a maximum of \$15—that is, assuming a person who earned more than \$30 a week, he would get only \$15, and if that were after a waiting period of 4 weeks before he could begin to draw insurance. Similarly we went down to 2¾ percent, 3 percent, 3¼ percent, and so on, showing the different amounts of insurance that can be bought by these premiums.

The CHAIRMAN. Will you put that part of the Ohio report in the record?

Mr. LEISERSON. I shall be glad to do so.

(The partial report referred to above is as follows:)

REPRINTED FROM THE REPORT OF THE OHIO COMMISSION ON UNEMPLOYMENT INSURANCE, NOVEMBER 1932

The commission has calculated the various amounts of unemployment insurance that can be bought for various premiums ranging from 2½ percent of the annual wages paid to the insured employee up to 5 percent. In doing this, it has considered the changes in cost of insurance, as the waiting periods and maximum limitation on amount and duration of benefits vary. Following is a summary of these calculations:

TABLE V.—Percent of pay roll required to purchase various amounts of unemployment insurance

Percent of pay roll	Will buy benefit of 50 percent of wages—		
	For a period of—	With a maximum weekly benefit of—	After a waiting period of—
	Weeks		Weeks
2.55.....	13	\$15.00	4
2.75.....	13	15.00	3
2.94.....	13	15.00	2
2.94.....	13	17.50	3
3.13.....	13	17.50	2
3.26.....	16	15.00	3
3.45.....	16	15.00	3
3.49.....	16	17.50	2
3.87.....	20	15.00	3
4.10.....	20	15.00	2
4.36.....	26	15.00	2
4.40.....	20	17.50	3
4.67.....	26	17.50	2
5.03.....	26	17.50	3

After a very careful consideration of these combinations and of many others, the commission has reached the conclusion that a reasonable amount of protection can be purchased for approximately 3 percent of the pay roll, a price, which, when shared by employers and employees, will be easily borne and not represent an unreasonable charge upon industry. This percentage will buy the following amount of insurance:

A benefit of 50 percent of the normal weekly wage of the insured, beginning after a waiting period of 3 weeks, and payable for a period of 16 weeks, the maximum benefit in no case exceeding \$15 per week.

Senator COUZENS. Did that report contemplate the employee contributing also?

Mr. LEISERSON. Yes, sir. That report, I may say, recommended that the employer shall pay 2 percent and the employee 1 percent, but it did all of this calculation on the basis of the 3 percent, that is, regardless of where the contribution was coming from. I will discuss presently this question of contribution.

The CHAIRMAN. In your Ohio proposal, did you apply it on agriculture the same as on industry?

Mr. LEISERSON. No, sir.

The CHAIRMAN. You excluded agriculture?

Mr. LEISERSON. It excluded agriculture.

Senator HASTINGS. Doctor, you are talking about how much insurance 3 percent will buy. Does that not depend entirely upon the labor conditions, that is, if there are a great many people out of employment, 3 percent would not be enough and if there was nobody out, 3 percent would be too much?

Mr. LEISERSON. That is just what I want to explain. When you have accident insurance or life insurance, how much a \$25 premium will buy will depend upon how many accidents you will have and how many people are insured. Similarly, in the State of Ohio, fortunately, every employer with three or more employees, under the compensation act, has to report to the State compensation fund the pay roll every month, because there is an exclusive State compensation fund. We, therefore, had the data of fluctuations of employment from 1914 on to 1931, and on the basis—we employed an actuary to make the study—and on the basis of the Ohio figures, we could figure out as a matter of fact over those years.

The actuary used a very liberal estimate, the good years and the bad years, he used an average estimate of 13 percent unemployment, whereas usually over a period of years statisticians have said that over the good and bad years the average unemployment is about 10 or 11 percent. Our figures indicated that about 13 percent was closer, and so taking all those things into consideration we arrived at how much a certain amount of premium will buy. Whether that premium is adequate or not is a question that has to be decided in each particular case when you are going to pay the premium. We cannot start with the idea that we have got to have adequate insurance.

Every insurance agent tells me that I do not carry enough insurance to properly cover the needs of my family, and I think they are right, but why don't I? Simply because I cannot afford it. I purchase just the amount of insurance that I can afford. Similarly, most working men do not have enough insurance to protect their families. Even the industrial insurance and the group insurance is inadequate and therefore most of our States have so-called mothers' "allowance laws and mothers' aid laws", or "mothers' pensions" to take care of the

families because the insurance was inadequate or there was no insurance.

Here, the question is the same. The committee discussed it and found that at the present time it was mere judgment and opinion on their part, that at the present time or in 1936, 3 percent would be an amount that industry could afford to pay for this if business revived enough to be up say to 95 percent of the average production figure during the years 1923 to 1925. The Federal Reserve Board keeps those figures. If industry does not revive that far, if it revives only to 84 to 95 percent, then the committee thought industry could afford only 2 percent, and if the revival is less than 84 percent of that index, then they thought industry could afford only 1 percent.

Senator COUZENS. At that point may I ask you what yardstick you used to determine whether industry could afford a certain percentage?

Mr. LEISERSON. It did not take any one industry; it took the picture as a whole, and so far as a scientifically accurate yardstick, I may say it used none of that. It is a mere judgment on the basis of conditions as they are and the need that people have for security in the future, and in that was considered also as to what industry generally would think they can afford, what laborers think they can afford, what legislatures have shown that they thought they could afford; but there is no scientific or accurate basis for that at all. It is a judgment pretty much as most people will do with any insurance they carry. As one member of the committee I should say that if in your judgment industry can afford more, you ought to make it more.

Senator COUZENS. When you say "afford" I do not get you at all. How do you determine whether an industry can afford 3 or 2 or 1 percent; what factor do you use in determining it? What is your judgment, because you say it is judgment?

Mr. LEISERSON. In my own judgment, it is this. I start with the need of the wage earner for protection against irregularity of employment. I start with the idea of what that man earns; he dedicates his skill and ability and his life to that industry, and that there are certain costs involved in his labor similar to the overhead costs that the industry has.

For example, take these electric lights. During the daytime a large part of the plant is idle. We consider that the investor is entitled to a return on the idle investment as well as on the other part of the investment. We do not pay them only for the time they were operating. Similarly with the wage earner. No industry works regularly. There is always fluctuation in employment, and the wage earner has a claim. In my judgment, it is a part of the cost of production, that when he is temporarily laid off for a period, that some part of his expenses at least, at least enough to maintain him during that waiting period, shall be a charge on the industry.

Starting with that, the question arises as to whether the industry can afford it or not. If we are in a period when industry is moving downward, more and more people are being laid off, I should say at that time is not the time to begin to provide for this insurance fund, but when industry is starting upward, if it is moving upward, then is the time to begin to provide for these charges. When you ask me "How much", all I can say in answer to that is this: I personally believe that this charge will not make an additional cost to the industry;

it will actually result in a reduction in cost. The only question involved about affording is if the industry is in the red and going down; at that time you cannot put additional burdens on it, but as soon as it is moving upward and is getting out of the red, at that time it seems to me is the time to begin to put this charge on.

My personal opinion is that any industry that is moving upward and each month putting more and more employees on, the moment it is out of the red it can afford at least 3 percent for this purpose. If you will ask me why still further, I will say this: When the employee is not protected against irregularity of employment, he tries to protect himself by stretching out the job. I happen to have made a study of that question in very many plants. It was published as a book called "Restriction of Output in Unorganized Industry", which showed that the main cause for loafing, soldiering on the job, was fear of lay-offs with no protection. That is why I think that an industry can afford to put 3 percent on and it will save more than 3 percent, because the men will work and not soldier on the job in order to protect themselves as against a lay-off.

Senator COUZENS. As a matter of fact, the more they soldier on the job the more job there is for the unemployed, isn't there?

Mr. LEISERSON. No; I do not think so.

Senator COUZENS. You do not think so?

Mr. LEISERSON. No; the more they soldier on the job, the higher the cost is and the higher the prices have to be, and they make fewer jobs for themselves in the end.

Senator HASTINGS. Doctor, before you leave that, the examination that the actuaries made in Ohio covered a period of 16 years?

Mr. LEISERSON. From 1914 on to 1931.

Senator HASTINGS. Sixteen or seventeen years?

Mr. LEISERSON. I may say we have the complete actuarial calculation in volume 2 of this report. It is merely summarized in volume 1.

The CHAIRMAN. I wonder if you could not furnish to each member of the committee, a copy of those reports?

Mr. LEISERSON. I shall be glad to do so.

Senator HASTINGS. I want to inquire whether that 3 percent would have taken care of 13 percent of the unemployed?

Mr. LEISERSON. Oh, yes. I can tell you just how that worked out. We made a tabulation in which we calculated that suppose after the depression of 1921 we had started an unemployment insurance fund, say January 1923, when we were on the upward movement, how would that have worked out? It would have worked out something like this:

During every year down to and including 1929, it would have paid to all of those who were covered by the insurance, and when they suffered unemployment it would have paid them 50 percent of their normal earnings, their normal weekly earnings, with a maximum of \$15 a week, no more than that, for a period of 16 weeks, which they could have gotten; but of course you must know that most of the unemployed are out of work less than 16 weeks; but it was possible, that those who were out of work 16 or more would have gotten 16 weeks after the waiting period of 3 weeks. That is, the first 3 weeks they get nothing. That would have happened. And at the end of 1929 when the depression had to be faced, there would have been \$104,200,000 in a reserve fund to face the depression with.

Senator KING. That was in Ohio alone?

Mr. LEISERSON. In Ohio alone. The first year of the depression, 1930, we would have been able to take care of all of these people who were insured on that same basis after the period of 3 weeks, for 16 weeks, and we would have paid out \$69,000,000 in benefits that year.

Senator HASTINGS. What year was that?

Mr. LEISERSON. 1930; the first year of the depression. And at the end of that year, we would have had \$84,000,000 left, because the premiums coming in, and \$69,000,000 paid out, \$84,000,000 would have been left in the reserve fund.

Senator HASTINGS. You would have taken \$20,000,000 from your reserve fund?

Mr. LEISERSON. That is right. Now, the second year of the depression, 1931, which was much worse, we would have paid out \$109,600,000 in unemployment benefits, but we would have had to take most of them from reserve and only \$11,200,000 would have been left at the end of 1931. But remember that the first 2 years of the depression, none of these people would have had to go on relief. They would have been protected.

The third year of the depression, 1932, we figured that the fund would probably have run out about in June, perhaps a little earlier—it would have been exhausted. In other words, 3 percent of the pay rolls would not buy any more than that amount of protection if we have a depression that lasts as long as the present one has lasted, and then we considered what might be done under those circumstances.

There were several things we thought of. If these people go on relief, on the whole they would have gotten less than one-half of what they get on relief, or at least what they did get in Ohio at that time, 75 cents per person per family per week. They would have gotten very much less than these benefits and, too, the emergency having come, our bill in Ohio authorized the fund in an emergency like that to spread the benefits in the same way we spread work, where we say, "Let the people spread the work." That is to say, to reduce the benefits from say one-half of the normal earnings to say 40 percent or some other figure that would carry it through another year. It also authorized the fund to borrow either from private sources if it could get it, and after all this is an insurance company and there is no better security than the pay rolls of the State of Ohio, there is no better security than that; or they might borrow from the government, either from the State Government or from the Federal Government.

Another thing to bear in mind is that in all of this period the States would not have contributed a penny, not even for administration expenses. All of these calculations are entirely on the basis of a self-supporting fund, and rather, after say 2 years of depression and the depression lasts 2 more years—rather than tell these people to go on relief, it would be much more sensible in my judgment for the States to lend money to this fund for another year or two, as long as the depression lasts, so that these men, who never before were on a charity roll, it keeps them off the charity rolls with the loss of self-respect that that involves. It is up to the State when the depression comes, to lend that amount of money, it seems to me, even if they should never get it back.

Senator HASTINGS. But, Doctor, I understood, however, that the worker was limited in his benefit to 16 weeks under this bill?

Mr. LEISERSON. Yes, sir.

Senator HASTINGS. After 16 weeks, what happens to him if he has not got a job?

Mr. LEISERSON. That is true. If, for instance, during this period, any person was out of work for more than 16 weeks, steadily, at that time he would have to go back on his own resources and if however he had some work for another period, he could appear on the fund again the following year, but if he had no resources at the end of the 16 weeks, he would be just like most working people are—he would have to go on relief or relief work or charity. We figured further, if we could have made this fund 4½ percent in 1923, it would have carried them right through the year 1934.

Senator HASTINGS. But in none of your figures do you contemplate taking care of the worker longer than 16 weeks?

Mr. LEISERSON. Not on a 3-percent fund. If we had a 4½-percent fund, we could carry him for 20 or 26 weeks.

Senator HASTINGS. And then what happens to him?

Mr. LEISERSON. Then again if industry is in such a state that it cannot employ people for a year or two years, the insurance cannot cover it all. No insurance fund can. Therefore they get into the ranks of the permanently unemployed, and you cannot insure people who are permanently unemployed. You have got to do something else for them.

Senator HASTINGS. I think I understand it. This 16 weeks does not mean 16 weeks in every year. It means 16 weeks a year until he gets himself back on a job of some kind—and then how long does he have to work before he is again entitled to participate in the fund?

Mr. LEISERSON. He cannot draw more than 16 weeks in any 1 calendar year. That is what it does mean.

Senator HASTINGS. Does it give him, for instance, if he is on for 1933 for 16 weeks and beginning January 1934 he has not yet got a job, does he go on?

Mr. LEISERSON. He does not go on unless he in the meanwhile has gotten work again after his 16 weeks and payments have been made in his behalf.

Senator HASTINGS. How long would he have to be on again before he would be entitled to his 16 weeks?

Mr. LEISERSON. After that he could draw 1 week's benefit for 4 weeks' payment.

The CHAIRMAN. Let me ask you, Doctor. Did you say this bill passed the house but did not pass the senate in Ohio?

Mr. LEISERSON. Yes, sir.

The CHAIRMAN. It was agitated for quite a long while, wasn't it?

Mr. LEISERSON. Agitation began early in 1931. A bill was introduced, it was not passed, and a commission was appointed as a result of that.

The CHAIRMAN. Was there very great opposition to it in the State which caused its defeat?

Mr. LEISERSON. There was opposition to it.

The CHAIRMAN. From what sources?

Mr. LEISERSON. The employers of the State objected to it, most of them. I may say in that connection that most of the support came

from the wage earners and from the professional classes and social workers.

The CHAIRMAN. They were perfectly willing to pay their part?

Mr. LEISERSON. The State Federation of Labor, the Ohio State Federation of Labor, went on record in favor of the employees' contribution. I may say, while we are on the question, that this Federal bill of course puts the entire premium on the employer and makes it a tax. But the intent of this bill is to have a cooperative scheme between the States and the Federal Government but which essentially this tax or payment will be levied by the States and the money used for the unemployed of the States, that the States will pass their own bills. As soon as a State passes its own bill and makes the premium 3 percent, that equals the Federal tax and then that cancels the liability to pay the Federal tax.

The CHAIRMAN. Let me ask you this question in that connection. This bill carries with it a 3-percent tax unless conditions should change, and then on the index of prices and improvement it might be shifted. Suppose Ohio should come in and put the 3-percent tax on, but 1 percent of which should be paid by the employee and 2 percent by the employer. Then the employer could not claim a deduction or a credit, could he, the 90 percent share in the bill?

Mr. LEISERSON. I do not know what the phraseology finally reads, but under the language that was approved by the committee, it was understood the employer could if a State enacted a bill with the employees' contribution for say 1 percent, that he could use all of that as against the tax.

The CHAIRMAN. Will you investigate the bill and let us know as an expert whether or not that is carried in the proposition?

Senator HASTINGS. It is perfectly clear that the tax is laid upon the employer and he is entitled to deduct whatever he has paid to the State for a similar purpose out of the tax.

The CHAIRMAN. Up to 90 percent.

Senator HASTINGS. Up to 90 percent. So that if he had paid to his State, 2 percent instead of 3 percent, he could only take off two-thirds of it instead of three-thirds.

Mr. LEISERSON. But he could not take off the employees' contributions.

Senator HASTINGS. No; not at all. That is very certain.

The CHAIRMAN. What I am curious about is the statement that the committee agreed upon another proposition.

Mr. LEISERSON. I will tell you what we agreed upon when we discussed it. We wanted to leave this matter of the insurance to be held by the States, and whatever our own opinion may be with respect to employees' contributions or to other matters—waiting periods, or 3 percent or 5 percent or whatever it was—we did not want to have the Federal Government impose its ideas on that of the States. The States were to be free to adopt a pooled insurance fund like Ohio or the Wisconsin plan, not pooled with separate accounts if they wanted to, they could have contributions or not. That was what we agreed upon. We wanted to leave the States free to have a contributory scheme if they so desired, or not to have it if they so desired. But my understanding was that if a State had it, the employer could deduct also for the 1 percent, but the question did arise as to whether it would be legal for him to deduct 1 percent contribution that the

employee made from the tax. That, I do not know. But our understanding was that we wanted the States free to have either plan if they so desired.

On inquiry I find that the bill clearly would permit employers to deduct only 2 percent if that is all they paid to a State fund and the employees paid the other 1 percent. That is to say the employers would have 2 percent remitted from the Federal tax and would have to pay 1 percent to the Federal Government.

The CHAIRMAN. Let me ask you this question under this tax. Of course we have set up some agencies that are in competition with some private institutions, such as the T. V. A., and such as the Mississippi Barge Lines, and so forth. Are those exempted from this tax, or is the tax imposed?

Mr. LEISERSON. Governmental authorities are exempted, you will find, in the definition of "employer."

The CHAIRMAN. You would construe then that the Mississippi Barge Line, which stock is owned by the Government but which runs in competition perhaps with other barge lines—

Senator KING (interposing). And with the railroads.

The CHAIRMAN. And with the railroads—that they would be exempt from the 3 percent. Is that your construction?

Mr. LEISERSON. Under the language as it is worded, I think they would be exempted, but I do not see any particular reason why they should be exempted.

Senator CAPPER. Doctor, isn't it probably true that when this system of unemployment-insurance gets started and gets going that this charge or tax that we are discussing, whether it is 1 percent or 3 percent, will be passed on by the industry, by the employer, to the consumer and to the public?

Mr. LEISERSON. It will if the entire matter is a cost, but if as a result of it the employee stops soldiering on the job to lengthen his job, even though he pays the 3 percent he will gain that much and perhaps more, so that it won't need to be passed on. That is just a question of fact. Every private employer that has done something to guarantee employment has found that the employees do produce more work. They save inefficiency and reduced costs when the fear of the employee of being laid off is taken away or at least partly taken away by a measure of this kind.

Senator KING. Doctor, referring to the question just propounded by Senator Harrison, what justification is there for the Government to set up instrumentalities to engage in what might be denominated as private business, barge lines, electric-light plants, and what not—what justification is there to add further to the disadvantages of private industries in competition with the Government, that the Government and its employees so employed should not bear the burdens that are imposed upon private industries and private employers?

Mr. LEISERSON. If an industry or a project like the T. V. A. is primarily a Government business and the Government is running it, and the Government is the employer, I do not see any reason why those folks who work for the Government in that capacity should not be covered by the same measure. If, however, these governmental projects are designed to give work to the unemployed, and they are temporary, emergency measures of that kind, they are part of a

public-works project for relieving unemployment, then you have got another picture in the situation.

Senator KING. That may not be said of a barge line, though, which has been operating for years and seems to have all of the immortality that comes with Federal bureaus.

Mr. LEISERSON. I do not see any reason why they should not, except that in the Government service generally, where people have civil-service protection, sick leave, and other things of that kind, they are not laid off by the hour or by the week, and there is a different problem there that you might want to handle in a different way, but ordinarily I think everybody, whether Government employee or any other, ought to be covered by a measure of this kind.

The CHAIRMAN. Of course we have a Federal law that Federal employees may come in and contribute, and so forth. It may be that under these institutions that they might come in the other way, but I can see some unfairness in not imposing a tax on such projects which compete with private business.

Senator HASTINGS. Take the navy yard and the Public Printing Office, those people are laid off when the work is slack, and they are just as badly off as anybody else.

The CHAIRMAN. The Government Printing Office employees take this other insurance.

Senator COUZENS. Not the navy yard workers?

The CHAIRMAN. I do not know about the navy yard workers.

Senator HASTINGS. Unemployment insurance?

The CHAIRMAN. Yes.

Senator KING. Doctor, this will not interfere with your line of thought. Obviously, in the study of this question, you have looked into the system of unemployment insurance as it operates in other countries. Taking into account as you obviously would, the differences in the economic and perhaps the political and social conditions prevailing there and in the United States, what would you say as to the result of the system? Has it been satisfactory or reasonably so, and if so in which country has it been most satisfactory and under what system have the most satisfactory results been secured?

Mr. LEISERSON. Of course, there are different forms of unemployment insurance and unemployment relief in the different countries. Also the situations in the different countries are altogether different. On the whole, in my judgment, the British scheme has more than proved its value, and all groups of people in England, employers, employees, public men, all agree to that. But you must understand that when we say it proves itself, if you think of unemployment insurance as the remedy for the whole problem of unemployment, it is not, and no person who is sane will think that unemployment insurance is a remedy for unemployment. If you have fire insurance, it is not a remedy for fires, it is just to help people who suffer to avoid some of the suffering. Similarly with life insurance.

The preventive side of the picture is an altogether different thing. For unemployment you have to have very many remedies. It is not only one problem. As a matter of fact, some people are unemployed because of industrial accidents. If you look over the industrial accident laws, the workmen's compensation laws, they are not compensation for accidents, they are compensation for unemployment due to accidents. If I work at a machine and the machine

chops off my toe, I do not get insurance for the value of my toe. If on account of that accident I have lost 20 weeks of work, the law in Ohio provides for example—most of the laws are the same—first I get medical treatment and then I get 60 percent, in some States two-thirds, of the wages I lost during the 20 weeks because I could not work. That is unemployment insurance due to accidents.

Senator COUZENS. But at the same time, it has had the effect of reducing accidents, has it not?

Mr. LEISERSON. At the same time, one effect of it, in varying the premium—when after some experience and the premium was varied so that the people who had more accidents paid higher rates than those who had fewer accidents—then it had the effect in a good many industries of reducing accidents. But when you look over the figures over a long period of time, it is questionable as to how much in the way of reduction in accidents has really been accomplished, because the accidents move up and down too, but there is no question about it that when you have a merit rating scheme under an accident law, that employers get busy and introduce safety departments for the purpose of reducing accidents, and many industries have made really marvelous accomplishments in the way of reducing accidents.

Senator COUZENS. So that they are really not inseparable are they?

Mr. LEISERSON. Beg pardon?

Senator COUZENS. Insurance and the prevention of accidents are not inseparable?

Mr. LEISERSON. Exactly.

Senator COUZENS. You tried to demonstrate a while ago that insurance and the prevention of accidents were two separate things, but they are not entirely separable?

Mr. LEISERSON. No. I think not. In our Ohio bill, we provided that after a period of 3 years, during which the 3 percent should be collected, an investigation should be made with the idea of classifying industries and groups of industries and a merit rating scheme worked out.

Senator HASTINGS. I was going to ask you about that.

Mr. LEISERSON. On the basis of which those who have a higher unemployment rate will pay a higher rate and the other a lower. We discussed varying the rates at that time from a minimum of 1 percent to a maximum of 3½ or 4 percent, but that was only to come after we had enough experience. The same thing was true with the workmen's compensation. I happen to have worked for the first workmen's compensation commission in New York State in 1909, the so-called "Wainwright Commission", that introduced the first bill, which was later declared unconstitutional, and the argument against it was exactly as many employers claim now, that it is not insurable—you do not have enough data on it—all of which was true, because until we began to insure we had no accurate data, because nobody was accurately reporting accidents.

After a few years of reporting accidents, under the insurance scheme, we were able to work out all sorts of classified rates on a merit rating basis, and I should say any unemployment-insurance scheme that is not worked out on the basis to stimulate prevention of unemployment is bad, and we have to work out a scheme and we think our Ohio plan, and so do the people in Wisconsin think, that their plan is designed to stimulate attention to the problem of prevention.

Nevertheless, we have to bear in mind that the problem of prevention of unemployment is not the individual employer's problem in the main. He can prevent unnecessary unemployment that comes from the fact that materials are not ready when they ought to be there, or from irregular buying seasons or things like that, or bad management in one way or another, and when he has to pay something more, he will give more attention to that; but he cannot prevent unemployment that is due to financial or international causes or anything of that kind. That would have to be dealt with by industries as a whole and by the Nation as a whole.

Senator COUZENS. When you studied that problem, Doctor, did you give any consideration to a guaranteeing of a minimum annual wage?

Mr. LEISERSON. Yes, sir.

Senator COUZENS. Is not that a great step toward the stabilization of employment?

Mr. LEISERSON. Very much so, sir. In fact, I worked on one of the first of those that was used. In the ladies' garment industry in Cleveland, which is a very seasonal industry, along about 1919 an agreement was made between all of the employers in that industry in the city and the organization of employees by which a guaranty of 40 weeks was given, and it had a good deal to do with stimulating steady work there, but of course when this depression came along that whole thing disappeared.

We do provide in this bill that States may, in the bills that they pass, provide for guaranteed employment plans as one method of dealing with that or for individual reserve funds as a means of centering the employer's attention on his own employment, and we wanted to leave the States free to experiment with such things if they desired to.

The CHAIRMAN. In this bill, so far as the unemployment insurance features are concerned, there is no suggestion of coercion upon the part of the States, they are left perfectly free to do with it as they please.

Mr. LEISERSON. Exactly.

The CHAIRMAN. We do impose this tax, though, from the Federal standpoint and they get the credit?

Mr. LEISERSON. May I say a word on that? Some criticism before the House Ways and Means Committee where I appeared has been directed against this bill because it does not provide for a national insurance scheme, or because it does not provide for a so-called "national subsidy plan." The reason it does not provide that is for the reason that you have mentioned, Senator. It was the judgment of the committee that at this time it is not desirable for the National Government to lay down standards of unemployment insurance for all the States. You take the 3 percent—if we in Ohio found that 3 percent would work out, as this report showed it would work out, 3 percent in the State of Kansas won't work out that way at all, because you have got different risks—you have got different numbers of employees, different experience with unemployment, and at this time it is not possible to say what one rate will bring in all of the industries in the country. Therefore, the purpose of the national 3-percent tax is really to meet only one situation. The National Government is called upon to pay out great sums of money in doles.

There is no way of avoiding it if you make no other provision for unemployment. The National Government therefore wants to stimulate the States to provide for their own people, in their own way, and one way is unemployment insurance, and it is not the only way. The National Government may want to stimulate them to have public works for the unemployed, it may want to stimulate them to do various things that are remedies for unemployment in addition to insurance. It has already stimulated them to establish public employment bureaus. That is another remedy for unemployment.

The main reason that we have not been able to get more State laws enacted than the one in Wisconsin is that the employers, and properly, say, "If you put this tax on us in the State of Ohio and the same industries over in Kentucky do not have it, we will be at a disadvantage in competing with them." Personally I do not think that that is a sound economic argument. It has some merit, but—

The CHAIRMAN (interposing). It has a good deal of force.

Mr. LEISERSON. Yes, there is a good deal of force in it.

The CHAIRMAN. Do you think that if the Federal Government should lay this 3 percent generally over the country, that that would take a good deal of that argument away?

Mr. LEISERSON. It will take all of the argument away, and we can say then to the employers, "Now, your argument before"—that was one of their main objections—we can say, "Your main objection before was the disadvantage that you would be put to in competition. That is taken away." And in addition to that, many of these employers have said, "We would like to do it but we cannot because of the disadvantageous position we would be in." Therefore when we show them that they will have to pay the tax anyway, and competitors will, that objection will be removed and they will go along with State laws which many of them have said they would like to have if they could.

The CHAIRMAN. Let me ask you, Doctor. Of course in certain industries—I think you pointed it out previously—they employed more people than they do in another industry. For instance, in the textile industries they employ perhaps more than they would in the steel industry in proportion to the amount of profits and the capital invested. Have you given much thought to that proposition as to whether or not the 3 percent might be too heavy on some and not too heavy on others?

Senator HASTINGS. Before you answer that, let me make this suggestion. There are a great many industries where the pay roll is the largest part of the cost of the thing, too.

The CHAIRMAN. That was what the idea was that I was trying to convey.

Mr. LEISERSON. We have given thought to that. My own judgment is that 3 percent, when industry gets back somewhere near normal, when it gets to say 95 percent or somewhere around 90 percent of the 1926 level, that 3 percent is a minimum that all industries ought to afford, that beyond that, other industries may be able to afford more, but I would not put it on the basis of being able to afford from a profit point of view. I would put it on the basis merely that if one industry has a large amount of unemployment, that it ought to pay more because it is part of its cost. Another one that reduces unemployment, it ought to pay less. The moment you con-

sider the income or paying capacity of an industry, you are getting away from the principle of insurance.

If you want to deal with the problem of unemployment by taxing profitable industries or by putting heavy income taxes or anything like that upon them, that is one method that some people believe is a proper way of dealing with the problem, but it is not insurance. Just the same as many people believe in public works for the unemployed. The moment you are thinking of insurance, you have got to have your premium paid at the point where the risk is, and the risk is right there in the industry on the job. Personally, I think that is the only sound basis, the theoretical point of view is to have the employer pay the entire cost. Economically you cannot justify an expense for waiting to go back to work that way, by putting the burden on the employee. Not that way.

The argument for contribution is put on the basis that administratively it is desirable to have the employee have some interest, however small, that he has contributed to the fund. In the first place you then know by his own contribution that this fellow is entitled to insurance. That is in the first place. In the second place when they are distributing the benefits, if the employees think that it is the employers' money that is being distributed, they do not care what happens to it, but if it is some of their own money, then they will be very "hard-boiled" with fellow workers who try to take advantage of the fund in any way.

The third reason is this, in administering unemployment insurance funds, you have to have local administration. Around the employment office the whole thing has to center. The employee when he is out of work goes and registers at an employment office. He does not count as unemployed until he does register at the employment office. If a man is laid off and goes off on vacation for any reason and does not register as unemployed at the employment office, his unemployment does not begin until that day. At that employment office there is a waiting period of 2 or 3 or 4 weeks—whatever the States will make it, no standard is set in the Federal law—during which the employment office tries to find him a job and he tries to find a job. At the end of that period, the director of the employment office must certify that this fellow really cannot get another job, that the employment office has tried every way and he has tried. Then he is unemployed and he is entitled to benefits, but he may have a difference of opinion with the director, and so in Ohio the bill—and most of the bills have been framed in the same way—you have a joint committee of employers' representatives and employees' representatives to pass on those disputed questions as to whether a person is entitled or not entitled to benefits.

I think it is important that the employees should be represented in their own right on such committees. Therefore if they put a little money in it, it is in their own right and they will have a little more right to sit there. I do not think that is necessarily a complete argument, because the employee does contribute in suffering and the loss of employment himself anyway, and there is a good deal to be said on that side. Theoretically the industry should bear the cost for that kind of unemployment, and if it cannot be absorbed in the ordinary cost, be passed on to the consumer. For administrative and practical reasons, a small contribution by the employee might

be desirable, but we say let us not pass judgment on that once and for all, let us leave that to the States to work out whichever seems to be best in their judgment, and the State legislators can decide that for themselves.

Senator KING. In your Ohio bill, you provide for employees' contribution?

Mr. LEISERSON. Of 1 percent.

Senator KING. And that was endorsed by the American Federation of Labor?

Mr. LEISERSON. Yes, sir.

Senator KING. There is a sort of a moral reason as I gather your argument.

Mr. LEISERSON. Mainly moral and administrative.

Senator KING. It gives them an interest in the fund and they will be more careful in its disposition.

Mr. LEISERSON. Well, there was one other reason. At the time we framed this bill in 1931 and 1932, employers generally who favored these things said that 2 percent was all that they could afford and 2 percent would not bring enough in the way of benefits, and we thought an additional 1 percent would help, although it probably would not be possible to get more than 2 percent from the employer.

Senator BLACK. Doctor, may I ask you a question or two on that? I understood you to say that eventually of course it was passed on to the consumers as a part of the cost. That is correct, isn't it?

Mr. LEISERSON. All costs of an industry, of course, must be passed on to and paid by the consumer.

Senator BLACK. Of course, if the contribution should be made entirely by the employee of the particular industry, that cost would be spread out on the employees of that particular industry only and no one else would contribute. That is correct, isn't it?

Mr. LEISERSON. If it were entirely by the employees, yes.

Senator BLACK. But when you simply make it an employers' payroll tax or sales tax, which is what it is, then it is spread out beyond the employees of the particular industry, all of the farmers, to all of the people in the Nation who buy the goods, and it is spread out on a broader base, isn't it?

Mr. LEISERSON. Oh, no; if you made the tax on the employees only of any industry, and if those employees worked making farm tractors, the farmers would pay the cost of that even though the employees made the contribution.

Senator BLACK. Let us see just a moment about that. If the employees of the tractor manufacturing company had a fund of their own, paid for out of their wages, which was not placed as a tax on the companies, that would be an employees fund and not enter into the costs of the company, would it?

Mr. LEISERSON. It would only if one employer or one group of employees of an employer set that up on a voluntary basis. If however it was compulsory on all employees, say in the tractor industry themselves to contribute 1 percent, within a very short time the wages of that industry will have to go up to include that 1 percent, and that would be passed on to the consumer.

Senator BLACK. That might or might not be true. Theoretically that is the position you assume.

Mr. LEISERSON. I will tell you when it would be and we will both be right. On the upward movement of the business cycle it would be

passed on, on the downward movement they would take that out of the employees, and some more.

Senator BLACK. What I am getting at is this: According to the theory then, that you have, at least a part of the time, which ever method is adopted, of the employer or of the employee, it eventually is spread out on all of those who buy consumable goods in the Nation. That is correct, is it not?

Mr. LEISERSON. Yes.

Senator BLACK. That being true, let us go back for a moment to the suggestion you made and the answer you made to the argument for a national subsidy. A national subsidy you said, one argument against it was—I jotted it down and I think I have it correctly—was because it was not deemed wise to impose national standards. Of course it is not absolutely essential that we adopt national standards in a broad sense in order to have a national subsidy, is it?

Mr. LEISERSON. Not necessarily, no; but the people who argue for the national subsidy, for instance Mr. Green said the reason he wants the national subsidy is because he wants to make sure that the waiting period shall not be more than 10 days or 2 weeks, that it must be a pooled insurance fund and it cannot be like the Wisconsin plan, that there must be no contribution whatever by the employee and he gave a list of the other standards that he wanted in, which he said you could impose when you had this subsidy.

Senator BLACK. We could impose it under this bill if we wanted to, couldn't we? There would be no trouble in imposing those standards in this bill, would there?

Mr. LEISERSON. Yes; you could impose those standards but if you did you would not have the States adopting the law. You would defeat your own purpose. For instance, if the State of Massachusetts which has a strong feeling—they had a commission like ours in Ohio—they thought we in Ohio were wrong, that we ought to have a scheme like the Wisconsin law. If you impose the standard which you mention on Massachusetts, Massachusetts would pass no law.

Senator BLACK. You think then they would lose their 3-percent tax rather than do it?

Mr. LEISERSON. I think so.

Senator BLACK. That would be a pretty big loss to the State of Massachusetts, wouldn't it?

Mr. LEISERSON. It depends on what you are going to do with the .3 percent tax.

Senator BLACK. You propose to turn it over to the Federal Government, do you not?

Mr. LEISERSON. Yes.

Senator BLACK. And that is a power or a force which you hold over the head of the people of the State of Massachusetts and would be a very substantial money loss to them if they did not pass the law.

Mr. LEISERSON. That is correct.

Senator BLACK. So that that in itself would be a sufficiently strong argument to at least be very persuasive that they had better adopt the standard suggested.

Mr. LEISERSON. It might overcome their objection to it.

Senator BLACK. The point I am getting at is that the argument that you suggest, that about national standards, is certainly no reason not to have a national subsidy system, is it?

Mr. LEISERSON. I would say that it is not the only argument. You can have even with the first plan—I think you are entirely right—even with the present plan you could put the standard in or not put the standard in. You could have a national subsidy scheme with no standard, just as you say, but I would not agree that it is not an argument because you could not turn over the money——

Senator BLACK (interposing). It is not the only argument?

Mr. LEISERSON. No.

Senator BLACK. Then let us go just a step further. Then as a matter of fact there is not any question in your mind but that this employers' tax will be borne by the buyers of consumable goods?

Mr. LEISERSON. In the end.

Senator BLACK. The buyers of consumable goods in the main, in volume of money spent and the number of people buying the goods, is the greatest proportion of the people of this country of small incomes.

Mr. LEISERSON. That is right.

Senator BLACK. Therefore it means this tax will be in the main placed on the people with small incomes, does it not? There is no escape from that, is there?

Mr. LEISERSON. The greatest amount of the money will come from the people of the smaller incomes because that is where most of the purchasing power is. That is true.

Senator BLACK. Certainly. If we had a national subsidy system with the method of raising taxes that the Federal Government can have on excess profits, on excess incomes and excess inheritances, we could shift a part of that burden to the larger incomes and thereby actually increase the aggregate purchasing power of the people with the small incomes, couldn't we?

Mr. LEISERSON. Well, I would not agree that we could, but I will agree this much, that it may be desirable, Senator, to have taxes on large incomes, inheritances, and so on. When you put your tax burden there, you do shift the burdens of government from the great mass of purchasers to the fewer that have more of the wealth. You are helping to redistribute wealth.

Senator BLACK. Income.

Mr. LEISERSON. And income; both. All right; I agree with that, but when you are doing that, if that is what you want to do, do it, but do not pretend that we have anything like insurance when we are doing it.

Senator BLACK. I heard that argument a moment ago. Let us get back to that. Theoretically you say that you cannot have insurance unless it is paid exactly by the method you suggest. Insurance companies do not always require the insurance premiums to be paid by the man who dies, do they?

Mr. LEISERSON. No.

Senator BLACK. Does it cease to be insurance because somebody else pays the premium?

Mr. LEISERSON. In this case, for instance, we do not have the workman himself, he may not pay the insurance, but the employers pay the percentage according to the rate and the pay roll.

Senator BLACK. Would it cease to be insurance because if for instance you took 50 percent of that premium and took it from higher income taxpayers and excess profits, instead of from the small incomes

of the Nation? Would that prevent it being insurance if they paid a part of it?

Mr. LEISERSON. I think it would, Senator; because it would be taking money from a place where the risk is not located and paying it over to people who are unemployed so that you would have no reason for distinguishing the different kinds of unemployed people when you gave them money that way.

Senator BLACK. Why is the risk not located in the large-income taxpayers and the excess-profits people. What happens to their business if you reduce the purchasing power of their consumers? Don't they have a risk and aren't they greatly interested, as vitally interested as anybody in the Nation, in that purchasing power?

Mr. LEISERSON. Everybody has an interest, but unless——

Senator BLACK (interposing). Don't they have an interest?

Mr. LEISERSON. They have an interest along with everybody.

Senator BLACK. Then if we collected some of this from them and let them make a part of the contribution, it would be collecting from somebody who has a very vital interest in those people.

Mr. LEISERSON. Yes. You can collect all of it from them, but I say it won't be insurance, for this reason. If you collect all of it from income or inheritance taxes, and I do not want to argue with you on that because I believe we ought to have for general government purposes heavier taxes on incomes and so on—on that principle I do not disagree with you, but I disagree with you only that as soon as you take your money from that source——

Senator BLACK (interposing). A part of it you mean.

Mr. LEISERSON. Any part of it—you are violating the principle of insurance, for this reason. Here is a man out of work, he is a casual laborer and he has been out of work 3 or 4 or 5 years, or he is a laborer—take in the railroad industry where I am engaged now. Some men have been out of work for 4 years. Insurance cannot handle their problem because they are not working and premiums cannot be paid in their behalf. I think they need to be taken care of. For such people it is perfectly all right to get your money in the way you say, but to mix such people up, and casual laborers, and people who for some reason, either mental or physical or moral, cannot hold a job steadily enough to make enough payments or to have enough payments on their behalf to insure themselves—to mix all of them into one group that gets unemployment money, it becomes what they have discovered in Europe to be an important distinction which they have to make—it becomes unemployment assistance or relief act and not an insurance act.

Senator BLACK. I understand there is quite a difference between those two.

The CHAIRMAN. Doctor, and Senator, one question. Professor Brown, of Princeton University, is here. I really wanted him to get back, because I do not want to keep him here from Princeton and his work. Would you mind desisting now and let us take Professor Brown and get through with him?

Mr. LEISERSON. I will be very glad to get a little rest myself.

The CHAIRMAN. Tomorrow we have Mr. Graham, president of the University of North Carolina, and who was chairman of the advisory council. We should like to take his statement at 10 o'clock in the morning.

Senator KING. When will the present witness resume?

The CHAIRMAN. Monday morning, Doctor Leiserson?

Mr. LEISERSON. I will be glad to come whenever the committee wishes.

The CHAIRMAN. You have made a very splendid statement, Doctor. It has been very helpful.

Mr. LEISERSON. Thank you, sir.

Senator HASTINGS. Somebody said there had been a brief prepared as to the constitutionality of this act. Are you familiar with it?

Mr. LEISERSON. No; I am not.

Senator KING. Do you know who prepared it? That is, if any was prepared?

Mr. LEISERSON. The representative of the Attorney General that was on the technical board was Mr. Holzaff. He would be the one who would be handling that question.

I should like to say before closing that one of the reasons that I personally am for this State law rather than one Federal law is that I am interested in getting the principle of the thing established as soon as possible. No matter what act is passed, it will have to be tested in the courts, and you get opinions on all sides as to constitutionality. If however you adopt the plan which will enable some of those 44 legislatures that are now meeting, to enact laws in their own behalf, standing on their own feet, even though this Federal tax should be declared unconstitutional, if New York, Ohio, Pennsylvania, and some other States passed their own State laws, the Federal tax unconstitutionality would not affect their action, because taken on their own sovereignty rights. We may have half a dozen or more States enact such laws now, and that in my judgment would be much greater progress toward getting something in the way of security for unemployment then we would even if we adopted a national scheme right away. It will take 10 years to work it out.

Senator BLACK. I want to ask just one question on that. The quickest way to get the States to do it, and the way that has been held constitutional in connection with Federal aid, the quickest way to do it is to offer them an inducement to do it by a Federal subsidy. There is no question about that, is there?

Mr. LEISERSON. I am not prepared to say that a Federal subsidy would make it any quicker than a 3-percent tax. I am not prepared to say that that would happen.

Senator BLACK. I thought you would, because a while ago you said that you were afraid that they would not take this plan if we imposed standards?

Mr. LEISERSON. I am not sure. Of course, subsidies do help them to accept money; there is no question of that.

Senator BLACK. That has been upheld by the Supreme Court, hasn't it?

Mr. LEISERSON. That is true.

The CHAIRMAN. Dr. Leiserson, we will want you here when we get ready to go over these various paragraphs on unemployment insurance, so that you can explain each one as we go along.

Mr. LEISERSON. I will be at your service.

The CHAIRMAN. If there is any further addition to your statement, I wish you would furnish it, so we can carry it right along in that.

STATEMENT OF J. DOUGLAS BROWN, DIRECTOR INDUSTRIAL RELATIONS SECTION AND PROFESSOR OF ECONOMICS, PRINCETON UNIVERSITY, PRINCETON, N. J.

The CHAIRMAN. I understand you are professor of economics at Princeton University?

Mr. BROWN. Yes, sir.

The CHAIRMAN. And that you were on this technical staff that helped to draft this legislation?

Mr. BROWN. I was not on the technical staff, sir, in the sense of the technical advisory board of which Mr. Leiserson is a member, but rather, I was one of three or four persons that were on what you might call the "full-time staff" connected with the Cabinet committee. In my own case, however, I retained my full-time position at Princeton and came down in a consultative capacity one or two or more days a week.

The CHAIRMAN. Was this advice more particularly to the old-age pension or unemployment insurance?

Mr. BROWN. It was on old-age security.

The CHAIRMAN. That is what you have specialized in?

Mr. BROWN. Yes, sir.

The CHAIRMAN. All right; proceed.

Mr. BROWN. I may say in connection with that work that I was associated with Mrs. Barbara Nachtrieb Armstrong, who is professor of law in the University of California, and with Mr. Murray W. Latimer, who is chairman of the Railroad Retirement Board, and that the work continued from last August until the present time. In the course of that time, we not only conferred with the various persons enumerated in the committees advisory to the Cabinet committee, but with many other persons. Also in my own work at Princeton for some years I have been in touch with industry and with trade unions in connection with these problems of pensions and old-age security.

Mr. Chairman, I would be glad to know how much time you would prefer to have me take? I can adjust myself to your convenience.

The CHAIRMAN. What is your statement?

Mr. BROWN. I have a statement here which would take perhaps 20 minutes.

The CHAIRMAN. Very well; you will proceed, please.

Senator KING. I think it might be well, Mr. Chairman, to let the doctor finish his statement, and then we can ask questions, if you desire it.

Mr. BROWN. In the development of the old-age security program recommended by the Committee on Economic Security and incorporated in the present bill, every possible principle or method of meeting the problem was considered. Not only were techniques and experience under public and private programs in this country thoroughly analyzed but techniques and experience in every important foreign country were studied. The recommendations arrived at are the result of the combined thought of a large number of technical experts, business men, labor leaders, and governmental officials—those formally recognized in the committee's report and many others.

The staff technicians who have been most directly engaged in developing these recommendations realize more than anyone else the impossibility of arriving at perfection in the construction of a program of

such vast dimensions, no matter what care is exercised. A social-insurance program must evolve—not come forth full blown. We feel strongly, however, that this program of old-age security has reached the legislative stage of evolution and, with alterations and adjustments you may deem fit to make within the general framework of the plan, is ready for enactment. The next stage of evolution is only possible after a permanent social insurance authority is established and operating experience develops. An old-age insurance program requires a generation of experience to perfect. To postpone the initiation of the operation of the plan likewise postpones not only the attainment of self-reliant security for the aged but the availability of more exact knowledge and experience related to American conditions.

The program arrived at is constructed of three parts:

A. A cooperative Federal-State plan of old-age assistance to those now old and in need, or to those becoming old in later years without the advantage of adequate insurance protection.

B. A Federal plan of compulsory contributory old-age insurance to provide a means whereby employed workers with the help of their employers may insure themselves against dependent old-age and lift themselves through thrift up from the level of dependency on public or private charity in old age.

C. A Federal plan of voluntary old-age annuities to provide self-employed persons such as small shopkeepers and farmers a means whereby they may make secure an economical provision for old age.

While closely related in purpose and effect, these three parts of the general program must be carefully distinguished. The first is old-age relief on the best possible basis—but still relief. It necessarily involves the needs test and normally the limitation of the assistance given to that sufficient for decency and health. The second plan is entirely distinct in operation. It is insurance, not relief. It is contributory and contractual and affords an annuity as a matter of right. It applies to all manual workers and to other employed persons receiving less than \$250 a month. The amounts paid to the aged are related to contributions made to the fund, not to need. The third plan is also distinct from the other two. While it is insurance like the second plan, it is voluntary not compulsory and is intended to assist self-employed persons not covered under the second plan. The insured person alone contributes under this plan—no employer since there is no employer—and the annuity payable is determined by the number and amount of the contributions paid in.

The first plan is intended primarily to meet the urgent need of persons now old. It will need to be continued not only for the next generation while the contributory insurance plan is gaining momentum but after that time as a residual plan—a second line of defense—to protect those persons who for any reason have not been included a sufficient period under the insurance plan to provide for their old age and who are facing destitution.

The second and third plans complement each other, one covering employed persons, the other self-employed. It seems necessary to have the third plan to assist the provident farmer, small shopkeeper, and housewife to provide for old age in a relatively easy and safe way. With these three plans we believe provision is made for both the present and the future, and for both the wage earner and the self-employed person.

I would like to use my time to explain briefly the reasons why those of us on the staff of the Committee on Economic Security concerned in the formulation of the old-age security program arrived at certain important principles later incorporated in the recommendations and the bill. I shall confine myself to the compulsory old-age insurance plan, the second plan, and that incorporated in title III and title IV of the bill. I will state the main reasons for our recommendations in outline form but shall be glad to elaborate on these reasons if you desire me to do so.

In the first place, the contributory contractual plan uses the method of thrift to protect workers in their old age rather than the needs-test relief which may in time discourage thrift.

Second, it affords a facility for saving for old age which, provided by the Government itself, avoids the dangers of bank failures, of losses on securities and real estate, or of other means of investment or of hoarding.

Senator KING. Pardon me; what title did you say that was?

Mr. BROWN. That is the old-age insurance part which includes the tax provisions in title II and the benefit provisions in title IV.

Third, it makes savings regular and automatic with a return as a matter of right with compound interest in regular installments covering the period of need.

That is the old-age period, from age 65 until the man dies.

Fourth, it avoids the prospect of dependence on children or other relatives (who may themselves be in need) or on public relief subject to a needs test.

Right through this plan we have attempted to provide a means of lifting people out of need in old age by the method of contributory insurance, which is in essence a facility in saving, in which the employer, the employee and the Government contribute to provide an annuity from age 65 until death. We have tried to provide as far as possible that means of protecting people in old age rather than having them go on relief subject to a needs test at 65.

We recommended that contributions be required of workers as well as employers, and I will give you two or three reasons that lead us to that conclusion. In the first place, by contributing, the individual worker establishes an earned contractual right to his annuity through his own thrift.

Second, worker contributions increase greatly the amount of the annuity which can be paid; would in fact double it.

Third, through increasing the amount of the annuities, worker contributions encourage the displacement of superannuated workers and of minor children and women supporting dependent old persons from the labor market, with a resulting increase in wages and earlier promotion.

We have in this country a very serious problem of the American worker, not merely the worker 65 years of age and over, but 45 years and over, and throughout in the studies made by the staff of this committee, we have been looking to means whereby the protection for the older worker under 65 might in some way assist the problem of the worker over 45. We feel that by providing a uniform compulsory retirement method, persons over 65 would be taken out of the labor market. Likewise the employer would be encouraged to take on the man 45 or 50 or 55, and thus to bring additional men into employment in their later years.

I might explain that further this way. Now you have the problem of the person seeking work aged 50 or 55, and the employer realizes that he will soon have the problem at 65 of laying that older man off unless the company has a pension plan. If it has not, it lays him off with no protection. However, if he has a pension plan, it will cost him a considerable amount to take that man on if he is to provide him with an adequate pension at 65. Under the universal pension scheme, the insurance scheme, that employee right throughout life would have been building up his pension so that if unemployed at the age of 50, the employer taking him on at that time, knows that he can lay him off at 65 with an earned pension that will be adequate to take care of him.

Senator HASTINGS. Your bill does not compel him to quit work at 65?

Mr. BROWN. No, sir. Just that the amount of the annuity does not increase because of working after 65.

Then the reasons for employer contribution:

First of all, it provides an automatic method of meeting the depreciation charges on the human factor cooperating in production similar to the usual accounting charges for depreciation of plant and equipment.

Second, it makes uniform throughout industry a minimum cost of providing old-age security and protects the more liberal employer now providing pensions from the competition of the employer who otherwise fires the old person without a pension when superannuated.

It levels up the cost of old-age protection on both the progressive employer and the unprogressive employer. Likewise it spreads the cost of the old-age protection uniformly over the concerns that employ more younger workers. Under the present situation, if a concern is able to employ younger workers and lay them off by constant turn-over in their thirties and forties, in a sense they have no old-age problem. They have shifted it to someone else and to the community. Other concerns which continue their employees until 65 are bearing the cost, because both plant morale within the concern and community morale without will not permit those concerns to lay off those people without attention at 65, so this plan levels the cost between this first concern which has to contribute over against the second concern which has already contributed through its own private plan.

As to Government contributions:

First. To buttress the guaranty of security there must be the financial strength and the taxing power of Government. The final security of any social insurance plan is the guarantee of the Government.

Second. The payment of annuities larger than can be earned in the earlier years of the plan may well be considered a public benefit and has been so considered in practically every important foreign plan. There are limits to the reasonable use of employment and earnings taxes when used for a purpose benefiting the public as a whole.

Third. By Government contributions in the late years of the plan, it is possible to avoid building up large reserves. Throughout our study, we have found that we must face several important variables in this plan. One was to what extent the reserve could be built up and still be kept within manageable limits. The second was the incidence of the tax on the employer, how to adjust that so as to

allow business to proceed with the least shock possible. The third was to pay adequate compensation as soon as possible. This one variable of large reserves becomes a factor related to Government contributions. If contribution rates are raised sharply in the early years of the plan, huge reserves accumulate. The problem of investing and liquidating these reserves can be far greater economically than that of a Federal subsidy in later years. If contribution rates are raised sharply in later years, the worker then contributing may receive upon retirement scarcely more than a return of his own contributions, since the employer's contributions will have been used to pay back the amounts expended to supplement earlier annuities.

Fourth. The shifting of the incidence of the employment tax to the consumer, which may take place, may become in time a regressive tax that may well be supplemented by the use of funds drawn from a progressive income tax. The best time to draw upon other taxes would, however, be in the later years of the plan.

In this way the funds accumulating in the early years will be used to pay benefits in the early years; as time goes on and disbursements come closer to meeting the collections, the Federal subsidy could be brought in to make up for those early benefits paid to persons who had been able to contribute but a brief time.

I would like to explain the reasons why the staff group recommend the payment of the larger annuities than are earned in the early years of the plan.

First. To obtain the social and economic advantages of contractual annuities as soon as possible in order to secure the "lift" of self-sufficing and self-respecting old age in our time and not wait until kingdom come to obtain assured economic security for the aged.

Second. To avoid the ridiculously low annuities involved in paying earned annuities only in the early years, which for a time might not warrant the nuisance and collection cost of the tax.

Under the tabulations, a person contributing for 5 years only, with an average wage of \$100 a month, would receive 48 cents a month as an earned pension, because interest factors as well as the small contribution rate of 1 percent do not provide an annuity any larger than that on a straight earned basis. Every other important industrial country has paid unearned benefit supplementing that, making it an amount large enough really to assist the person in his old age, and to secure the displacement of superannuated workers from the labor market as soon as possible. That is the third reason.

And fourth, again, to hold down reserves, because if you take in money for all persons aged 20 to age 65, and in your first year of payment you only pay benefits to the one group aged 66, you will see that the income far exceeds the outgo. You accentuate that if the person aged 66 gets 48 cents a month, rather than \$15 a month by the payment of an unearned benefit adequate to take care of at least part of his needs. Your disbursements increase faster and avoid the accumulated huge reserve.

Next are the reasons for the maintenance of the lowest reserves compatible with safe operation of the system.

The first thing there is to avoid the undue diversion of funds from the flow of consumer purchasing power, on the one hand, to capital investment on the other. These funds are being taken from a level of income where normally they would be used practically 100 percent

in consumer purchasing power. A small amount would be saved but by and large you are taking these contributions from a level of income which would otherwise be used for consumer purchasing power. If you take those and pile them up in a reserve fund, they have to be used either directly or indirectly in building up capital goods, because they have to be put into something which will make them available at some future time. We feel that to divert an undue part of that consumer purchasing power into capital goods would be economically undesirable.

Second, the accumulation of a large reserve may involve serious complications not only in Federal financing through the necessity of selling and repurchasing Federal obligations in huge amounts at unpropitious times but may affect adversely the capital market. Also large reserves may encourage demand for increased rates of benefit and unwise use of funds for other purposes.

The history of police pensions and of firemen's pensions and of many other pension funds is that once huge reserve or relatively large reserves are accumulated, the rank and file of the members do not see any reason why the benefits should not be increased. It is very difficult to explain the actuarial principles involved. We were afraid that if large reserves accumulated under the Federal plan, the same problem would arise. Therefore, the recommendation to keep reserves as low as possible to make the plan a pay-as-you-go plan.

Finally, the accumulation of large reserves may necessitate the reduction of other Federal taxes in order to create new obligations and thus, for a time, relieve the rich through taxes on lower incomes. In other words, we have a pay-roll tax here which, increasing to a larger figure, might require the creation of Federal obligations to invest that fund. In creating those obligations, the Government by so much does not need to finance itself through other taxes but can finance itself through bonds, so we may have the paradox of a contribution from workers that might make possible the reduction of taxes on higher incomes.

Next is the gradual stepping up of contribution rates and the reason for that gradual stepping up of contribution rates. You will notice that it starts at 1 percent for 5 years, 2 percent for 5 years, and so. Many people feel that that is a very gradual step up. We felt, however, that there are reasons for a gradual step up.

First, the gradual raising of the rates of contribution softens the impact of the new charge on both the employer who has no pension plan at present and the worker and allows time for readjustments.

Second, to hold down the income into the fund until disbursements are sufficient to avoid the accumulation of large reserves.

Third, a lower initial rate of contribution aids in the enforcement of the tax, since coverage is secured and public support gained while the cost of the tax is small.

We felt that by starting with a 1-percent or 2-percent rate, the country could become accustomed to this rate of contribution. At the same time, the fund does not need the money because of the fact that we are retiring so few people on a contributory old-age insurance plan, therefore, we suggest starting with a smaller rate, and after 10 or 12 years when it gets to be a customary charge on industry, gradually adjusting it to the actuarial standards necessary.

Finally, very briefly, as to the enforcement of the tax: It is my feeling that the worker will look upon this plan as in essence a method of saving, with the employer matching his deposits. An interruption in his record reduces the annuity on retirement not merely by the amount of money unpaid but also by the reduction of the number of contribution weeks in his record. Every employed worker by so much has an interest in the enforcement of the tax and in reporting evasion on the part of the unscrupulous employer.

Second, the use of a stamp book, especially in the case of smaller plants, improves enforcement, since each employee can watch his savings accumulate and can note and report omissions.

Third, the employer who evades the tax is not only defrauding the worker of his old-age protection but might be subject to fines and reimbursement of the tax at penalty rates to the credit of the employee.

Fourth, the inclusion of domestic and farm labor while socially desirable will increase the problem of administering the plan at the outset.

These and many other aspects of the proposed contributory insurance program have been carefully considered. The reasons here marshaled are for your consideration. I know that I speak for the technical staff which aided in the development of the recommendations in expressing our desire to be of any help possible to the individual members of your committee or the committee as a whole in your study of the problem of old-age security.

Senator KING. The result of your labors is embodied in the final report which was submitted?

Mr. BROWN. Yes, sir. In this situation I am speaking here as an individual who cooperated with two or three other individuals and whose work, in turn, went through many steps, naturally through the various technical committees to the Cabinet committee itself. I am speaking today as an individual who had the opportunity to cooperate.

Senator HASTINGS. You reached a conclusion, did you not, that at some time the Government itself would have to contribute, out of the general fund, a large sum of money, isn't that correct?

Mr. BROWN. That is my view, sir. My personal view is that in any program of social insurance the final test of security is the financial strength of the Government and its willingness to participate in supporting the plan.

Senator HASTINGS. You did reach a figure, didn't you, that at some time it would cost how much?

Mr. BROWN. In 1980 the figure of the Federal contribution according to one set of calculations that is involving the provisions of the bill is \$1,478,000,000.

Senator HASTINGS. Annually?

Mr. BROWN. Annually. The figure I have here is for 1980.

Senator HASTINGS. Would it be apt to increase from there on or decrease?

Mr. BROWN. There probably would be a slight increase relative to that figure. Probably, as I remember, by 1990 it would become stabilized.

Senator HASTINGS. Professor, there is one situation that I worked out which seemed to me might cause some people contributing very much concern. If you take a young man at 20 who begins to contribute in 1937 and he earns \$100 a month for 45 years, he will accumulate

a fund of something over \$4,000, as I recollect it, and will be entitled to be paid the balance of his life \$50 a month. On the other hand, a man who is now 45 and who earns the same amount of money pays in for 20 years with the interest compounded at 3 percent; he will have a fund of something like \$738 for his benefit, but he will get for the balance of his life \$40 a month. I am wondering what the young fellow is going to think about that, and we have got to bear in mind that all of this is legislation that may be changed by the voters whenever they make up their minds that they do not like it. So that the fellow who goes in at 20, with that staring him in the face, may reach the conclusion that that is not fair and he may compel the Congress to change it in some form. That is true, isn't it?

Mr. BROWN. The way I feel on that point is this: It is that we are not giving the young man less but we are giving the older man more. And we are giving him more for a social purpose—that is providing him with a decent income in his old age, despite the fact that the Government had provided no facilities for many years for doing so. You will find, in fact, every industrial pension scheme practically and every scheme in educational institutions, that when the contributory plan is started, it is necessary to put the older person at some advantage so that he won't reach old age with an inadequate income.

Senator HASTINGS. I appreciate that theoretically you may be correct, but you have to bear in mind as one expert has stated here, that there will be 40,000,000 employees subjected to this tax, and there will be 40,000,000 people complaining about it, probably, and I think there will be 40,000,000 people that will be able to vote at the elections, and if they do not like it they can change it; and it seems to me that while you may be absolutely correct theoretically, we are dealing with a democratic form of government with the opportunity in the people to change a particular statute at any time that they can convince the Congress and the President that it ought to be changed. It does not have the stability of an insurance company contract in the respect that it does not have the stability that an insurance company contract would have. This young fellow who starts out to pay at 20 does not know what Congress is going to change that to. He does not know whether he is going to be taken care of at 65 or not. It all depends on what the Congress does. That is the weakness, it seems to me.

Mr. BROWN. I think every scheme of social insurance or every other scheme for the provision of higher standards to the community involves the responsibility of government. Of course, if we should need to look forward to a lack of responsibility of government, perhaps it would be better never to go into any of these schemes, but looking at it from the scientific point of view, once the Government takes upon itself the problem of taking care of its unemployed, its old persons, its sick, it has assumed the position that it will be responsible to those persons who have contributed to the scheme and that when they become old, it will provide them with the annuity toward which they have contributed.

Senator KING. Does not the plan contemplate a rather large contribution by the Federal Government, something like one or a half billion in 1980?

Mr. BROWN. The plan as in the bill now involves a contribution on the part of the Government starting at the year 1965 which rises for a period and then strikes a plane. The reason for that is to offset the payment of so-called "unearned annuities", that is, supplementary annuities, \$15 in place of 48 cents in early years. Someone has to pay that naturally, to balance off, and it has been done in practically every other country.

Senator KING. What would be the aggregate amount which the Government will have to pay by and including the year 1980?

Mr. BROWN. I am sorry, sir; I do not have that accumulated.

Senator KING. It would be several billion dollars?

Mr. BROWN. Yes. There is one offset, however; that is the fact that you have a saving in that the plan has provided more adequate annuities in early years whereas otherwise you may need to afford relief to those old persons.

Senator KING. But there will be a permanent demand upon the Federal Treasury after 1975 or 1980 of approximately 2 billion dollars.

Mr. BROWN. It is not that high, sir. The figure I have here is approximately \$1,500,000,000 as of 1980.

Senator KING. I understood you to say that for a number of years thereafter the subsidy would be increased.

Mr. BROWN. Slightly, but I do not think up to two billion.

Senator KING. Before it reached the position of stability?

Mr. BROWN. Yes.

Senator KING. Can you, with any degree of assurance, state that there will be at some year stability and with no increase?

Mr. BROWN. Yes, sir. All of these statistics are based upon certain assumptions, and I would like to emphasize that personally I feel there are definite limitations in the plan that are far in advance from an actuarial point of view, from an economic point of view, and from a statistical point of view. It is my feeling at least that the important thing is to provide a program which as far as one can tell will meet the situation both from financing and the benefit point of view for some 20 years ahead, and then as time goes on, adjust it. The contribution rate could be increased more rapidly or the increase could be held back as more adequate information is available, so that I do not feel that one can use the figure as precisely as here—\$1,478,700,000 or anything like that—with true propriety.

Senator KING. I assume that this contribution would come from the Federal Government exclusively, and the State will have no voice in it.

Mr. BROWN. That was the proposition, sir.

Senator BLACK. Just one question in line with what Senator Hastings asked, because I have evidently misunderstood part of the previous testimony. He asked you about a young man who is contributing more than the older man. I had understood that one of the reasons for that Federal aid was to partially offset this very situation.

Mr. BROWN. The fact that the older man receives more?

Senator BLACK. Yes.

Mr. BROWN. It is.

Senator BLACK. Is that not correct?

Mr. BROWN. Yes; it is correct.

Senator BLACK. So that instead of the picture being exactly as it was given by Senator Hastings' question, as I understand it, the young man could not be discriminated against, if you call it a discrimination, to that extent, but a part of the difference would be made up by contributions from the Federal Treasury.

Mr. BROWN. Yes, sir. I said that it is not that the younger man gets less. He get his full share, but that the older man gets more. He gets more because of the Federal subsidy, which as a matter of public benefit takes care of these people in old age.

The CHAIRMAN (Senator King, acting). We will adjourn now until 10 o'clock tomorrow morning.

(Whereupon, at 12:30 p. m., the hearing is adjourned until Saturday, Feb. 2, 1935, at 10 a. m.)

ECONOMIC SECURITY ACT

SATURDAY, FEBRUARY 2, 1935.

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met pursuant to call, at 10:10 a. m. in the Finance Committee Room, Senate Office Building, Senator Pat Harrison, chairman, presiding.

Present: Senators Harrison (chairman), Connally, Bailey, Clark, Byrd, Black, Gerry, Guffey, Couzens, Hastings, and Capper.

STATEMENT OF DR. FRANK P. GRAHAM, PRESIDENT UNIVERSITY OF NORTH CAROLINA

The CHAIRMAN. Doctor, you were Chairman of this Advisory Council, were you not?

Mr. GRAHAM. Yes, sir.

The CHAIRMAN. You are now president of the University of North Carolina?

Mr. GRAHAM. Yes, sir.

The CHAIRMAN. For the record, will you state your background?

Mr. GRAHAM. You mean where I was born, and so on?

The CHAIRMAN. Well, before you were president of the University of North Carolina what did you do, what studies did you pursue, what was your background?

Mr. GRAHAM. I was professor of history at the University of North Carolina. With regard to the point you just made about studies, I have done graduate work at Columbia University, University of Chicago, the Brooklyn Institute, and the London School of Economics of the University of London.

The CHAIRMAN. You were selected as chairman of this advisory council?

Mr. GRAHAM. Yes, sir.

The CHAIRMAN. And met with them quite a good deal?

Mr. GRAHAM. Yes, sir; I met with them in all their sessions. The Council took its work seriously and worked hard and with a public view.

The CHAIRMAN. I wish you would just take this bill and criticize it or make any explanation you desire to make with reference to it.

Mr. GRAHAM. Mr. Chairman, I would like to say that I am not an expert in this field; that I am not a statistician; I am not an actuary; I am not an economist; that in these matters I am a layman. I could better discuss the general approach to the question of social security.

Senator COUZENS. Why were you selected for this position, without having the characteristics that you just described?

Mr. GRAHAM. I cannot judge about that myself.

The CHAIRMAN. I presume this Advisory Council was named from all over the country, to come in and study this proposition after these technical advisers or technicians had gotten up this proposition, in order to be helpful to the committee.

Mr. GRAHAM. Yes, sir; to bring in the lay and public point of view on the expert studies made by the various expert groups working on these particular propositions.

Senator BLACK. They were not all experts, were they? A good many of the others were not experts?

Mr. GRAHAM. On our Advisory Council were representatives of labor, representatives of industry, and representatives of the public.

The CHAIRMAN. Well, that list has been put in the record.

Mr. GRAHAM. Yes, sir.

Senator COUZENS. Now, could all of those groups get together on one report?

Mr. GRAHAM. I would say, Mr. Chairman, we had our disagreements within the committee, of course. All honest people do have disagreements. I was a member of the majority on one point, for example, taking myself as an illustration, and a member of the minority on another issue. That is, the constitution of the majority and the minority groups shifted according to the issue. There were, of course, many controversial issues.

Senator COUZENS. Could you harmonize those differences after you had the poll?

Mr. GRAHAM. I think I would say, Senator Couzens, that each man, of course, reserved his individual convictions but supported a broad, comprehensive program of social security, in broad outlines, without in any way compromising his own individual convictions. There are some things in the report of the Advisory Council that different members, of course, do not agree with. There are some things in there that I do not agree with. But we are all for a comprehensive long-range program toward social security now.

Senator COUZENS. I suppose the chairman wants you to go on and tell us your views then. Is that so, Mr. Chairman?

The CHAIRMAN. Yes; just tell us your views. Tell us where the sharp difference between them was and the big questions involved.

Mr. GRAHAM. Yes, sir. The sharp differences of opinion were with regard to the unemployment-insurance proposals, as to whether it should be set up according to the Wagner-Lewis device or according to the grant-in-aid plan. That was one sharp difference of opinion. Another was as to whether there should be employee contributions or not. Another was as to whether there should be standards, and at least to what extent there should be standards laid down or written into the Federal law.

The CHAIRMAN. There developed, then, a difference of opinion as to whether or not there should be an administrator on the lines of the proposal in the old-age-pension proposition, or approving the character of laws passed by the States and laying down certain standards and rules.

Mr. GRAHAM. Yes, sir.

The CHAIRMAN. You limit that, so far as unemployment insurance is concerned, to leaving it pretty nearly entirely to the States.

Mr. GRAHAM. Our Advisory Council did not.

The CHAIRMAN. It did not?

Mr. GRAHAM. No, sir.

The CHAIRMAN. But the bill as drafted did?

Mr. GRAHAM. The bill as drafted did. Let me say at this point, Mr. Chairman, that I have been so involved in affairs in North Carolina with meetings of the board of trustees that I have not kept up with the proceedings of this committee. I did not know I was to be called until 2 days ago, and I knew only yesterday that I would be free to come, so I am not up with the proceedings of this committee or the latest developments in the program and I would be only qualified to talk on general principles with regard to the whole program.

The CHAIRMAN. The Advisory Committee thought that the wording of the legislation should be somewhat along the same line, as applicable to unemployment insurance, as is proposed in the old-age-pension proposition, giving greater power to the Federal Government, is that right?

Mr. GRAHAM. I would say that the Advisory Council stood for writing into the Federal law more national standards as a minimum basis for State laws. I would favor national standards with regard to waiting period, rate of benefits, and duration of benefits to prevent unfair competition and to secure protection of the workers.

The CHAIRMAN. Yes. You may now proceed on the old-age pensions.

Senator BLACK. Before he leaves the question of unemployment insurance, I would like him to give it to us a little more definitely. You say the majority of the Advisory Council agreed to that idea?

Mr. GRAHAM. Yes, sir; that there should be more national standards.

Senator BLACK. Was it the majority or the minority that believed there should be a Federal aid to the unemployment insurance?

Mr. GRAHAM. You mean a direct Federal subsidy?

Senator BLACK. Yes.

Mr. GRAHAM. I would say that was a minority.

Senator BLACK. On which side were you?

Mr. GRAHAM. I was for 4 percent, Senator Black. The point was made that industry could not stand 4 percent. I felt so deeply, and I still do, that 4 percent is necessary to give adequate benefits to the workers that, personally, if a 4-percent levy on pay rolls is not possible I would be in favor of having the extra percent from the Federal Government.

Senator BLACK. What was your position with reference to the employee contribution on the unemployment insurance proposition?

Mr. GRAHAM. Of course that is a very controversial point and I will try to state my view on that, Senator. I was against employees contributions in the Federal act.

Senator BLACK. Why?

Mr. GRAHAM. Because the worker, as a consumer, will pay. The worker, in the long waiting period proposed, will pay. The worker will pay in the fact that when he is unemployed his benefits are to be, well, I will say, comparatively low as compared to his regular earning power.

The worker is, from my point of view, the victim and not the cause of unemployment, and to put the cost on the victim is not a logical procedure. If I could use analogy, which I know is not entirely an analogy, during war time you have the soldier as a part of the military establishment. Now a casualty of war is provided for by the military establishment and the cost of the military establishment is

borne by the country or the society that it is an expression of. Now, in the case of a worker unemployment is a hazard of society. An unemployed man is a casualty of our modern industrial society and the industrial establishment, of which he is a part, should logically bear the expense of the fact that he is a casualty, and the society (by a pay-roll tax) and the Nation (by a supplementary contribution if needed) back of that industrial society can logically be called on to pay the cost of his unemployment, as an incidence of our modern society.

I would sum this up in this way: The worker pays as a consumer to the extent that 3 percent—I will say 3 percent because that was the committee's report—to the extent that the 3-percent levy on pay rolls is passed on. Then there is a waiting period and he pays there. Then in the low benefits, he pays there. Then in the fact of unemployment, he pays there. He is the victim, not the cause. He is most of all the victim, and certainly least of all the cause of unemployment. He is a casualty of our modern society and if we have a sense of social responsibility in providing for the casualties of war, I think, in these pensions, we certainly have no less a responsibility for providing for the casualties of peace. If the soldiers at the front are carrying on for the country, so are the industrial soldiers of peace, from my point of view, even more carrying on for this country. So, for myself, I am opposed to employee contributions because of these considerations.

This occurs to me in this connection: I have heard it said, "Well, that puts the worker on the charity basis." Well, Mr. Chairman, that was the argument used against a public-school system. It was said that it would not be self-respecting for children to go to schools paid for by the public. I think we have gotten over that idea.

Senator BLACK. They also said it was socialistic, did not they?

Mr. GRAHAM. Yes, sir.

Senator BLACK. May I ask you a question in regard to your casualty idea. I do not know whether you would want to express a view on it or not. You say the worker is a casualty of the modern economic and industrial system?

Mr. GRAHAM. Yes.

Senator BLACK. Is it your belief that he is, to a certain extent, a casualty as the result of the fact that too much in the modern industrial system goes to interest and profits and too little to wages?

Mr. GRAHAM. Yes, sir.

Senator BLACK. If that is true why should not some of this be borne through a Federal subsidy?

Mr. GRAHAM. Yes, if the pay-roll tax is inadequate.

Senator BLACK. Why should not some of this be taken from the incomes of those who have received too much profit and too much interest?

Mr. GRAHAM. I am not speaking for the Advisory Council at this point.

Senator BLACK. I am asking you for your own opinion.

Mr. GRAHAM. Senator, in these direct questions that you have asked me, I wish to make it clear that I am trying to answer them as honestly as I can as an individual. I am not trying, in answer to your direct questions, to speak for the Advisory Council.

Senator BLACK. I understand that.

Mr. GRAHAM. I think unemployment is a matter of industry and the Nation, and not the workers' responsibility. Therefore I could not answer your question honestly otherwise, not to say logically and democratically. It could be borne by industry as part of the cost of production, and by the public, which has a stake in the fact that workers in industry carry on for the public.

Senator BLACK. The point I am getting at is this: Of course a sales tax or a pay-roll tax is borne by the consumers; isn't that true?

Mr. GRAHAM. Yes, sir; to the extent it is passed on.

Senator BLACK. And if this is simply levied equally on the consumers of consumable goods and there is not some system devised where more will be levied on those who get most, it would not be a fair imposition of the tax so far as the public is concerned, would it?

Mr. GRAHAM. Except in the sense that it is a part of the cost of production.

Senator BLACK. But that goes to the consumers and a great majority of consumers have a small income, have they not?

Mr. GRAHAM. Yes. As a representative of consumers' interest I of course get your point.

Senator BLACK. What I am getting at is this: I understood you to state that in your judgment a part of the hazard was the result of the fact that too much had been drawn from the national pool of production?

Mr. GRAHAM. Yes.

Senator BLACK. By those who draw profits and those who draw interest.

Mr. GRAHAM. Yes, sir.

Senator BLACK. That being true, is it fair to adopt a general system for which a part of the public pays, without imposing a greater proportion on those who get too much profit and too much interest? Should we not adopt some kind of a taxation system, a Federal-aid system, that would bring some of that excess profits and excess interest back to bear the burden?

Mr. GRAHAM. I would say, Senator Black, as a general policy, yes. Now the question as to whether any or how much of this should be applied to unemployment compensation would depend on the extent to which that further taxation of excess profits, that public taxation on over-concentration of wealth would be applied in other areas, for example in old-age insurance, a public-employment program, a general public-welfare program. You get my point?

Senator BLACK. I get it. Your knowledge of history teaches you that when you once impose a tax on the little man you rarely ever substitute and put it on the other man?

Mr. GRAHAM. Yes.

Senator BLACK. So if we substitute a system which imposes the entire burden on the consumer there is very little probability we would ever change it and put any of it on those who draw the excess profits, the excess bonuses and the excess interest.

Mr. GRAHAM. Yes. In our comprehensive set-up, Senator Black, the advisory council has the 3-percent pay-roll tax. Now I may say at this point, since it is part of an answer to your question, that I was for 4 percent, and it will be very acceptable to me, as an individual, speaking for that extra percent, if it cannot be put in as a cost of

production that it be put in out of public taxation, as a part of the redistribution of wealth. Is that clear?

Senator BLACK. Yes, I get your point.

The CHAIRMAN. Well, go ahead now with the old-age provision, Doctor.

Mr. GRAHAM. Now, Mr. Chairman, I am not at all an expert in that field either.

The CHAIRMAN. I will tell you one of the things that is worrying the committee, or certain members of the committee, and I include myself in that list. In the case of the unemployment insurance, you leave that entirely to the States but the Federal Government imposes a 3-percent tax?

Mr. GRAHAM. The bill does.

The CHAIRMAN. You leave it to the States to pass such laws as they want to. If they want to divide it up, if they want employers and employees to contribute or to pay it, they can do it. You fix no standards.

Mr. GRAHAM. In order to be clear on that point, personally I was for the grant-in-aid plan of unemployment compensation. Excuse me for the interruption.

The CHAIRMAN. Yes. Now on your old-age-pension proposition you levy a tax but you leave here an administrator in Washington to fix certain rules and standards that the States must follow?

Mr. GRAHAM. Yes, sir.

The CHAIRMAN. The naming of the persons in the respective States who are to administer the law in the States, and what must be done must have the approval of the administrator here; that is correct, isn't it?

Mr. GRAHAM. I think the Federal administrative agencies certainly have some discretionary powers on the basis of the standards.

The CHAIRMAN. Now, the only thing they could do, of course, if the State failed to meet those requirements of those standards, they could withdraw the Federal aid up to the \$15 per month?

Mr. GRAHAM. Yes.

The CHAIRMAN. And now we want you to discuss that feature and why that policy was agreed upon and recommended, why it is differentiated from the unemployment-insurance program.

Mr. GRAHAM. The old-age-insurance program is set up on the national basis.

The CHAIRMAN. Yes.

Mr. GRAHAM. Therefore there will have to be a Federal administrative agency administering the standards laid down in the Federal law and administering the requirements delegated in the law. The discretionary power is delegated to the Federal administrative agency in order to have an effective national system.

The CHAIRMAN. Is there any difference of opinion in the advisory council on that proposition?

Mr. GRAHAM. The advisory council, as far as I recall, Mr. Chairman, was unanimous in its support of the old-age-insurance program in its threefold divisions of an old-age-pension plan, the compulsory contributory old-age insurance and a voluntary contributory old-age-insurance program set up on the national basis.

Senator BLACK. Senator, may I ask him a question to get at clearly what we have been interested in?

The CHAIRMAN. Yes.

Senator BLACK. Doctor Graham your statement was that the committee unanimously agreed on national standards placed in the law which were to be enforced by a Federal agency.

Mr. GRAHAM. You mean the old-age pension?

Senator BLACK. Yes; the old-age pension.

Mr. GRAHAM. Yes.

Senator BLACK. The law as written has one clause which states that the Federal administrator shall have the right to determine for himself whether or not the law of the State provides a sufficient amount for the recipients to live in decency. That is the substance of it?

Mr. GRAHAM. Yes.

Senator BLACK. Giving him a decent subsistence.

Mr. GRAHAM. Yes.

Senator BLACK. There is a difference of opinion mainly from the standpoint of the committee of whether or not the legislation itself should set out minimum standards or whether we should leave it to one Federal administrator in Washington to determine for himself whether the law of North Carolina, for instance, did provide a sufficient amount. Was it the unanimous opinion of the committee that such a discretion should be left in the Federal administrator or was it contemplated that the law itself should set up the minimum standards?

Mr. GRAHAM. Well, speaking for myself personally there, Senator Black, I would be in favor of putting into the law certainly the most essential national minimum standards on the basis of which your Federal administrator would operate. It is what I favored in the case of unemployment compensation.

Senator BLACK. In other words, Doctor, is the situation that some of them have asked about: Suppose, for instance, you take your State, North Carolina, or any State, and it should adopt a law which said that \$20 or \$30, or any amount it saw fit, will support its recipients in reasonable decency.

Mr. GRAHAM. Yes.

Senator BLACK. Do you believe that the Federal administrator in Washington should be vested with the power to tell the State of North Carolina that \$20 or \$30 is not enough and the Federal Government will not contribute unless it raises it to \$40, or do you believe that the Congress itself should write into the law the minimum standards, so far as the amount is concerned? That is the question, as I understand it, which is revolving in the minds of some of the members of the committee?

Mr. GRAHAM. I haven't thought that thoroughly through, Senator Black, but to the extent that I did think it through, in the case of unemployment compensation, I am in favor of writing into the Federal law certainly a good number of minimum national standards on the basis of which your Federal administrative agency would act in cooperation with the State administrative agency. The administrator would use his discretion, but starting with those national minimum standards put into the law.

Senator BYRD. Well, you favor the law as it is then?

Mr. GRAHAM. Yes.

Senator BYRD. You favor it as it is written, which gives the Federal administrator the right to withdraw the Federal aid from any State that does not meet his opinion of these standards, which say they shall in accordance with decency and health.

Mr. GRAHAM. On the basis of the national minimum standards written into the law; yes.

Senator BLACK. I understand he does not agree with that. I understand he thinks the law itself should have the minimum standards as to the amount and that the administrator should really be an administrator to carry that out. That is the way I understood him.

Mr. GRAHAM. I haven't made a study as I have in the case of unemployment insurance, as to what those national minimum standards should be, Senator Black, but I would say you should write into the law essential minimum standards and then give the Federal administrator discretionary power as to whether they are conformed with or not.

Senator BYRD. Here is what the proposed law says:

Old-age assistance shall mean financial assistance assuring a reasonable subsistence compatible with decency and health to persons not less than 65 years of age, who, at the time of receiving such financial assistance, are not inmates of public or other charitable institutions.

Mr. GRAHAM. Yes.

Senator BYRD. What further regulations or minimum requirements would you advocate putting in?

Mr. GRAHAM. I would stand on this particular law in the case of old-age insurance, but in the case of unemployment compensation, since it is not set up on the national basis, I would be in favor of writing in national minimum standards.

Senator BYRD. But you do not favor any additional standards in the old-age pensions?

Mr. GRAHAM. I say I haven't thought through all the exact national minimum standards for the old-age pensions, and therefore I would not like to give an opinion on something that I haven't thought through.

Senator BYRD. Under this proposed law the administrator may withdraw his approval of the State plan even after it has already been given.

Mr. GRAHAM. Yes.

Senator BYRD. Without notice to withdraw or withhold the payments from the State. Do you favor that? In other words, after the States have adopted a pension system the Federal administrator at Washington—with no appeal from his decision—can arbitrarily withdraw the Federal payments without even notice. It does not provide here that any notice shall be given. All it says is he shall notify the State authority of his action. He can withdraw it one day and notify the State the next day.

Mr. GRAHAM. Of course that can be met by writing into the law a few national minimum standards, as we propose in the case of unemployment compensation?

Senator BYRD. The only standard, of course, that would protect the situation would be to write it in in dollars and cents, to say you cannot withdraw the Federal aid from the States that contribute so much in dollars and cents. These other standards, they are all to be interpreted by this administrator, who is the sole arbitrary judge and from whose decision no appeal can be taken.

Mr. GRAHAM. Yes.

Senator BYRD. Would you advocate writing into the law that there should be a standard of so many dollars a month, a minimum standard? Before you answer that let me ask you this question: Senator Wagner testified that he thought the minimum standard should be \$40 a month. Mr. Green stated that the minimum standard should be \$50 a month. Miss Perkins testified that one of the reasons for paying the pensions was to increase the purchasing power of the people. What is your opinion as to the minimum that should be paid in order to carry out the purposes of the act? Do you agree with Senator Wagner or do you agree with Miss Perkins that you should pay pensions to increase the purchasing power?

Mr. GRAHAM. Senator Wagner said \$40 a month?

Senator BYRD. Senator Wagner said \$40 a month.

Mr. GRAHAM. I would certainly say if this committee could work it out on the basis of sound financing that \$40 would be more adequate. I think that would have to be, in a sense, worked out with regard for the whole financial program that this committee works out. I would personally be in favor of \$40 if more money can be found to carry it on a sound basis. Otherwise I am for the provisions as thoroughly worked out by the actuarial and economic experts.

Senator BYRD. Coming down to your own State of North Carolina, your report that you signed and I assume prepared, says that one-half of those over 65 years of age will be eligible. That was carefully worked out, was it not? In other words, that one-half of the people living in any given State, people who are over 65 years of age, will be eligible to old-age pensions?

Mr. GRAHAM. The experts worked that out on a threefold basis of outright pensions and contributory insurance.

Senator BYRD. If Virginia pays \$25 a month, added to the \$15 of the Federal Government, and one-half of those over 65 years of age in Virginia are eligible, it will put a burden of taxation on Virginia of \$21,000,000 a year, which will increase the general burden of taxation in the State, exclusive of the gasoline and license taxes. Can North Carolina stand such an increase in taxation? I assume our two States run about the same, except you have got more inhabitants than we have. Do you believe you can double the taxation in North Carolina at this time in order to meet the requirements of collecting and paying the \$40 which you say should be the minimum?

Mr. GRAHAM. I say, Senator, personally I was in favor of \$40 if it could be soundly worked out. You ask me if I am in favor of the old-age recipients getting \$40 a month. I think, we all are, if it can be soundly worked out, but the experts have worked out, I think, as far as the National Government is concerned, a \$30 provision. If a more adequate provision can be worked out I am in favor of it.

Senator BYRD. Am I correct in the thought that your committee, after investigation, believes that one-half of those over 65 years of age will be eligible to the pension, not perhaps the first year, but as 2 or 3 years go on what—one-half of them will be eligible. That is correct, isn't it?

Mr. GRAHAM. That is what the experts worked out.

The CHAIRMAN. Is that absolutely correct? I am a little hazy about that.

Senator BYRD. That is what the reports say that they signed.

The CHAIRMAN. That is the advisory committee report?

Senator BYRD. Yes.

Mr. GRAHAM. Yes.

The CHAIRMAN. One-half of those above 65 will be eligible under this definition?

Senator BYRD. Yes.

Senator BAILEY. Mr. Chairman, the life-insurance statistics indicate that 85 percent will be eligible.

Senator CONNALLY. 85 percent of those who are over 65 years of age?

Senator BAILEY. Yes. That is written in the insurance statistics. I do not know where they got the statistics.

Senator CLARK. 85 percent of the people above 65 years of age?

Senator BAILEY. Yes; 35 out of every hundred who have reached 20 years of age get that far. Those are the Metropolitan Life Insurance Co.'s figures.

Senator HASTINGS. When Senator Wagner were before the committee I particularly called his attention to the statements in that report that there were 3,750,000 people over 65 years of age that needed this help.

The CHAIRMAN. I think he said there were over 7,000,000 people who were 65 years of age.

Senator HASTINGS. Three million seven hundred and fifty thousand that needed this help. He left me with the distinct impression that it was necessary to take care of that many. When Dr. Witte came before the committee and that same question was put to Dr. Witte he explained that while it was true that that many needed help, they were counting upon all but a million of them being taken care of by their relatives, and in various other ways, and enumerated how the million was made up. So his conclusion was that what he had to take care of was a million people.

Senator CONNALLY. Senator, is not it true that a lot of those who are being taken care of by their relatives will horn in on the deal when the act becomes effective, feeling they have a legal right to it?

Senator HASTINGS. I was trying to refresh his memory by what the witnesses said.

Senator CONNALLY. Yes; I admit that.

Senator BAILEY. I haven't any question, Mr. Chairman, but I want to say that when you enact this legislation I know you will drop the age limit to 60 the next time you have an election.

The CHAIRMAN. Sixty years of age?

Senator BAILEY. Yes. That is the history of all the pensions. There will be no exception in this one.

Senator HASTINGS. I noticed in the daily papers in my State a report of the Commission that is administering the old-age pension law, and it gave the number of persons that were on pension and it said there were just that many more that had made application and had not received it because there was not money enough appropriated for that purpose. Just about one-half were being taken care of, of those who made the application.

The CHAIRMAN. What does your State appropriate? Is it \$6 or \$9?

Senator HASTINGS. I have forgotten the limit. The average that is being paid is around \$10. I have forgotten whether it can pay more than that or not.

Senator COUZENS. The number of applicants does not necessarily mean that that is the number which must be taken care of, does it?

Senator HASTINGS. I do not know that it does. I think it gave the impression that there were this many that ought to be on and they could not be put on because of lack appropriations.

Senator BLACK. Experience has shown that 50 percent is not the number that is paid old-age pensions, experience has shown, as I recall it, that 15 percent only are drawing it.

Senator BYRD. The standards of this law and the standards of State laws are entirely different. For instance, the majority of State laws have a limitation of 70 years.

Senator BLACK. I am not sure about New York, but I think that is the limit there.

Senator BYRD. Most of the State laws say they shall be needy. There is nothing in this legislation that you propose or in any report that you make, which indicates that only those that are needy should be pensioned. It says they should be pensioned so as to enjoy a standard of decency and health, which is determined by the Federal administrator.

Senator CONNALLY. That is because the theory of the bill is that States will set up the standards.

Senator BYRD. The legislation does not provide for it. It says that the Federal administrator shall determine the standard and shall determine as to whether or not he shall give Federal aid to the States.

Senator CONNALLY. I was thinking about the dependents. Does that mean the standards set up by the State laws?

Senator BLACK. It is contemplated this will only take care of those in need, where the families will not take care of them.

Senator BYRD. I understand the commission which has investigated the matter has given an entirely contrary report. It says [reading]:

At this time a conservative estimate is that at least one-half of the approximately 7,500,000 people over 65 years now living are dependents.

Senator Wagner, in his written testimony, carefully prepared for this record, gave the dollars and cents that it would cost to take care of them. He said it would take \$1,680,000,000 a year to take care of those that at present need assistance.

Senator BLACK. What percentage is 1,600,000 of the total within the age limit? It is not nearly 50 percent, is it?

Senator BYRD. It is one-half.

Senator BLACK. There are more than 3,200,000 within the age limit, are not there?

Senator BYRD. Senator Wagner said in his testimony that 3,500,000 were eligible. He said that would cost \$1,680,000,000 per year, on the basis of \$40 a month. You will find that in his testimony.

Mr. Chairman, Dr. Graham studied this. He comes from North Carolina and I come from Virginia.

Senator BAILEY. Let me say something about Dr. Graham. You say you know he came from North Carolina. Nobody ever lived in the State that has more respect for his opinion than I have.

The CHAIRMAN. I suppose the doctor would say the same thing about you.

Senator BAILEY. I can say it much better about him than he could ever say it about me.

Senator BYRD. That is the reason I want the doctor's opinion, because it is a matter I am deeply interested in.

Senator BLACK. Senator Byrd, before you make any comment, I think you would like to know that Dr. Graham stated that he is not an expert on statistics, that he depended antirely on the experts and actuaries as to that, that he was a layman, insofar as these matters are concerned.

Senator BYRD. I think we have the right to assume that this report that was prepared was done so in accordance with careful research.

Senator BLACK. Yes.

Senator BYRD. This report states that one-half of those over 65 years of age will be eligible for pensions. Senator Wagner confirmed that in his statement. I do not see anything else but to proceed on that basis, because that is in the report.

What I want to get from you, Doctor, is this: Everything above \$15 under this bill is to be paid by the States?

Mr. GRAHAM. Yes.

Senator BYRD. Let us assume, for the sake of argument, that the States will match it and will give \$30 instead of the \$40 that you think will be preferable.

Mr. GRAHAM. I said I thought it was preferable personally, if it could be worked out soundly, but I am standing on this report here because I know competent experts worked that out. If in time it would be found that provision can be made to raise the \$30 to \$40, I am personally in favor of it.

Senator BYRD. Let us discuss it on the basis of \$30 rather than \$40. In Virginia, by the payment of \$15 a month to one-half of those over 65 years of age, it means to the State an additional appropriation of \$14,000,000. That will necessitate more than a hundred-percent increase in the general taxation of Virginia, and I assume that applies to North Carolina.

Senator CONNALLY. You mean State taxation or city taxation?

Senator BYRD. I mean State taxation. We have a total revenue of approximately \$14,000,000, exclusive of gasoline taxes and license taxes. What I want to say is this: Can Virginia and North Carolina, the two States that we know most about here, be put in a position to increase the general taxation 100 percent in order to even pay the minimum requirements of \$15 a month under this bill?

Senator BAILEY. Will you let me throw one factor into that? It would not be a 100-percent increase in North Carolina, because our base of the general tax is different than yours. Our base is \$22,000,000, and the appropriations will make it about \$25,000,000. That includes the maintenance of the schools. You do not have that.

Senator BYRD. Yes. You have more inhabitants than we have got.

Would it be possible to increase the taxation of North Carolina 25 percent?

Mr. GRAHAM. Senator Byrd, it, of course, would be difficult to increase the taxation of North Carolina any percent, but I believe so much in old-age insurance that I think we ought to pay the price to take care of our old people.

Senator BYRD. Do you think the legislature of North Carolina will pass the additional taxation to match the Federal aid?

Mr. GRAHAM. I know the people of North Carolina are in favor of an adequate provision for old people, both those who are destitute.

and those who would be placed on a contributory basis and as the years go on.

Senator BYRD. But this bill does not provide for only payments to the destitute. That is the point I am trying to make clear. It does not say they shall be needy and destitute. It says if they do not enjoy a certain standard of living which is that determined by the administrator in Washington then they are eligible for pensions. That is a very vital point, it seems to me, that is entirely overlooked.

Senator BLACK. I have misinterpreted the bill if that is what it says. I understood the administrator was given the right not to determine whether or not the amount contributed by the State to the destitute was sufficient to maintain them, but to withdraw the Federal appropriation or the Federal payment if the State did not meet the requirements of the bill.

Senator BYRD. You read section 3.

Senator BLACK. I read it.

Senator BAILEY. Let me read it then.

As used in this title "old-age assistance" shall mean financial assistance assuring reasonable subsistence compatible with decency and health to persons not less than 65 years of age who, at the time of receiving such financial assistance, are not inmates of public or charitable institutions.

Senator CLARK. So if the administrator was to determine that \$60 a month was necessary for a decent standard of living in Massachusetts, let us say, or Michigan, or some northern State, then unless your State contributed \$45 a month the administrator would be forced to withhold all Federal funds?

Senator BLACK. Certainly, for those who were drawing the pensions. That does leave up to the administrator the right to determine whether or not the amount written into the State law is adequate to maintain them, assuring a reasonable subsistence compatible with decency and health.

Senator BYRD. The point I am trying to make is: I have read the reports carefully, I have read the testimony, and there is nothing to indicate that these pensions are to be confined to the needy and destitute. On the contrary, Miss Perkins, who has something to do with the administration of a part of this pension, has testified that these pensions should be paid in substantial amounts in order to increase the purchasing power of the people. That is the matter that I want to get before the committee. This is not a pension for the needy and destitute, this is a pension to maintain a certain standard of living, which is determined by the sole authority of the administrator at Washington. That is what the bill says.

Senator COUZENS. I would like to hear the views of the witness about this thing.

The CHAIRMAN. Proceed, Doctor.

Senator BYRD. Let the doctor answer that question.

Mr. GRAHAM. I think, Senator, that the Federal administrative agency and the State administrative agencies would work out, in a general way, these points that you are referring to. I do not think the administrative agencies would want to pile on the old-age-pension list people who did not belong there.

Senator BYRD. Was it the object of your committee to only pay pensions to the destitute and needy?

Mr. GRAHAM. You mean with regard to grant-in-aid to States that have old-age-pension laws?

Senator BYRD. I am not talking about that. I am talking about the bill as it is and now written.

Mr. GRAHAM. We divided the old-age proposals into three parts. The first part is a Federal grant-in-aid to States, as presented to our council, to States which have or will have old-age-pension laws, which make provisions for the needy people. Then in addition to that the advisory council recommended that there be a compulsory contributory old-age-insurance program. That is not a matter of their destitution but a matter of their right, on the basis of contribution by industry and workers. The third proposal is for a voluntary contributory plan.

Senator BYRD. I was not discussing that, Doctor. I will not bother you with any further questions if you will answer this one question: Was it the purpose of your committee, of which you were the chairman, to pay, either by the interpretation of this administrator at Washington or otherwise, pensions to those over 65 years of age who are not needy and destitute, or were only pensions to be paid to the totally needy and destitute?

Mr. GRAHAM. I would like Mr. Nordlin to come here and confirm my opinion. He was a member of our council. Mr. Nordlin confirms my opinion that in our discussions we understood there was to be a means test for those who are to be recipients under the old-age pension part of the threefold old-age insurance program.

Senator BYRD. They are not necessarily needy and destitute in order to receive the pensions?

Senator BLACK. He said so. He said there was to be a means test, which means destitute.

Senator BYRD. He did not use the word "destitute", Senator. I want him to say definitely whether they would have to be needy and destitute in order to get the pensions.

Senator COUZENS. Is not there a difference between "needy" and "destitute"? A person may be needy and not destitute. I do not think they should be connected, necessarily.

Mr. GRAHAM. I would say they certainly should be needy to qualify for this first part of the old-age pension program.

Senator BYRD. Would you be favorable to writing that into this section 3, instead of setting up the standard of decency and health, that nobody knows what it means? You and I may favor this and may differ a great deal as to what is a standard of decency and health when it comes to living.

Mr. GRAHAM. I think, Senator, I would trust the administrative agencies of the State and Federal Governments. I think the difference here is that I would trust the administrative agencies more than you would.

Senator BYRD. You would have to trust the Federal administrator here. He is the sole judge of this.

Mr. GRAHAM. Yes, and I would trust him.

The CHAIRMAN. Go ahead, Doctor.

Mr. GRAHAM. Might I say at this point, I do not think I am worth anything to you with regard to actuarial details. If I am worth anything at all it would be with regard to a broad approach to the whole question. I do not have any prepared talk. I only knew the day

before yesterday that I was going to come, and, as Senator Bailey knows, I have been meeting with trustees and committees and preparing a budget for the legislature. Just in an informal manner I give you my views in response to your invitation to appear.

The CHAIRMAN. We will be very glad to hear you, Doctor. We understand that as to the details you are not competent to testify.

Mr. GRAHAM. Understand me, I am not running from anything. I would like to say that I stand for this whole broad comprehensive program of social security. I think that it should be approached on a Nation-wide basis with national minimum standards and I will suggest why I think it should be approached on a Nation-wide basis.

Our economic society is national in nature. Industries are organized in America on a national basis. Capital is fluid, it overflows State lines. Industries are migratory, they move from one State to another. Labor is mobile, workers move from one State to another. Unemployment is national in nature and will require a Federal re-insurance fund.

Old age is national in nature. The only way you could set up a sound actuarial old-age insurance plan would be on the whole population in the Nation and not by geographical patches.

So I say our economic society is national in nature. Our economic society is nationally dynamic in nature. As we look at America, here are great railroads that reach across the continent; they do not stop at State lines. Oil pipe lines, concrete highways, telephone and telegraph lines, high-tension power lines, all make it very clear that we are, as an economic society, national in structure. There is a great mechanical framework flung across this continent, and that great mechanical framework sustains our society. Even at the bottom of the depression it held up our modern industrial society. It is dynamic in nature. You touch it anywhere and you touch it everywhere.

That is true even in an international sense. To think that we can approach this thing merely from a State point of view takes out of account the fact that modern industrial society is not only national, but international in nature. A Slavic boy in Bosnia-Herzegovina pulls a trigger and in a few years 2,000,000 American boys cross an ocean. Why? Because the great mechanical framework flung around the earth catches up wars anywhere, and implicates men everywhere.

Here in a little street called "Wall Street", which is a narrow little street, where is concentrated the financial life of our country, occurs a financial crash. I do not mean the crash in Wall Street caused the great depression, but I mean to say that just as the trigger pull set off one of the greatest wars of the world, just so has the economic crash in Wall Street got on the wires of the world and released these great pent-up forces which involved all the nations and all mankind.

Now in the midst of such a national economic society, in the midst of an economic structure sustained by a mechanical framework flung across the continent, we must approach this subject on a Nation-wide basis. It is national in nature and it is dynamic in nature.

Senator BAILEY. Doctor, let me interrupt.

Mr. GRAHAM. Yes, sir.

Senator BAILEY. Agreeing to all of that, for the purpose of argument, why does not the bill provide for all manner of destitution rather than stating the age? That is national, too.

Mr. GRAHAM. Might I say on this point, Senator Bailey, that personally, on the basis of studies made for the Advisory Council, I am for this sort of comprehensive program for social security, unemployment compensation, old-age insurance in its three divisions, the old-age pensions, the compulsory contributory and the voluntary contributory systems, and a public-employment program, a youth educational program, a public-assistance program, mothers' pensions, maternal care, security for children, a public-health program based on the Public Health Service, and a further study in cooperation with the medical profession of a health-insurance program.

Senator BAILEY. You would pay pensions for crippled people, too; crippled children and so forth?

Mr. GRAHAM. I would favor the rehabilitation of crippled children and of crippled people.

Senator BAILEY. How about crippled men who are 40 years of age, who could not make a living by reason of some disabilities? Suppose a man had a stroke of paralysis which incapacitated him, would you favor the Federal Government giving him a pension?

Mr. GRAHAM. I would be in favor of society doing something for him rather than letting him starve or lose his self-respect.

Senator BAILEY. The point is, would you consider that a national obligation rather than a State obligation?

Mr. GRAHAM. I think the program worked out here, on the basis of this Nation-wide approach, is on the basis of a Federal-State cooperation. The public-assistance program would be on the basis of a State-Federal cooperation.

May I add one other thing. I will try to make this statement from my point of view. I am just stating for myself, on the basis of studies made by competent committees. I would add one other thing. I would be in favor of a Federal department or administration of public welfare for the purpose of coordinating the Federal, the State, and the county public welfare program in America. Now, that is in answer to your question. I am as a simple citizen for that comprehensive program of social security in America.

Senator CONNALLY. Doctor, in answer to Senator Bailey about the crippled people who are 40 years of age, we do that now. We aid those who are crippled and those who are not crippled. I mean the Federal Government feeds them all over the country.

Mr. GRAHAM. Yes, sir.

Senator BYRD. We are not doing that as a permanent policy.

Senator CONNALLY. I do not know about that.

Mr. GRAHAM. In this Nation-wide set-up for public-assistance program, I would be in favor of cooperation between the Federal Government, the State, and the counties. Does that answer your question, Senator Bailey?

Senator BAILEY. Yes. I know what your views are. Everybody in North Carolina knows you are a great humanitarian and have been all your life.

The CHAIRMAN. Doctor, aside from the question of the ability of the Federal Government to finance these various ideas which were so well expressed by you, did the advisory committee, or did the committee up there give much study to the ability of certain States to meet their requirements under this program? That is one of the important things to me in this proposal.

Mr. GRAHAM. Senator Harrison, our advisory council did not make a study of the ability of certain States to meet this program.

The CHAIRMAN. You will admit that is a very important proposition.

Mr. GRAHAM. Yes.

The CHAIRMAN. If we know that the budget in certain States has reached the saturation point and they are unable to raise more money, and if we put requirements in here that they cannot get the relief unless they do raise the money, it is a very important part of this whole discussion.

Mr. GRAHAM. Yes; it is. Senator Byrd and Senator Bailey know that North Carolina is straining mightily. I personally tried not to bring into my little work as a member of this committee the particular situation of my own State, and I believe in it so strongly, Senator Harrison, that I am for the program.

Senator CLARK. Doctor, does not the question of where you are going to get the money enter very largely into the program?

Mr. GRAHAM. Yes; it does. Of course that is the responsibility of the finance committee to work out. The country presents you a comprehensive program toward social security and it is for you to work it out and put through we hope.

Senator BLACK. Doctor do you believe there is any lack of productive capacity in this Nation to carry out that program?

Mr. GRAHAM. I do not. I do not think there is any lack of productive capacity to carry out this program.

Senator CONNALLY. Doctor, may I ask you a question?

Mr. GRAHAM. Yes, sir.

Senator CONNALLY. Basically, your own theory is that this is a great, rich, powerful, and productive country?

Mr. GRAHAM. Yes.

Senator CONNALLY. And in this country there is no place for those who are old and dependent without being cared for by somebody?

Mr. GRAHAM. That is right.

Senator CONALLY. And that the industrial, business, and commercial set-up somewhere ought to have placed upon it the burden of looking after these casualties of this modern industrial warfare.

Mr. GRAHAM. That is our fundamental position; yes.

Senator CONNALLY. That, in short, is your position. The details of it you are not undertaking to tell us about.

Mr. GRAHAM. I am not. I am not a statistician and I am not an actuary.

I would like to add something that your question, Senator Black, provoked in my mind. It may not be directly related to it, but since it provoked it I want to say it. I say that we have the national economic society, a dynamic national economic society, with a vast concentration of wealth at great centers.

Senator CONNALLY. Exactly.

Mr. GRAHAM. It seems to me, Mr. Chairman, that in view of that fact we should not, on the basis of theory, put along with that national dynamic economic society, with its mighty concentrations of wealth, a decentralization, a political decentralization and a decentralization of the social devices to cope with that national dynamic economic society with its great concentration of wealth. With all our regard

for the separate States we should have for this dynamic continental industrial structure corresponding social controls.

Senator CLARK. Doctor, why should not the Federal Government do the whole thing? Why do you bring in the State at all?

Mr. GRAHAM. Senator, we have in this country a Federal Union. We are traditionally set up as a Federal Union. Insofar as we do not sacrifice social controls in behalf of the people of this country, why should not we use a Federal-State cooperative plan.

Senator CLARK. Your whole argument goes to the point that the whole economic structure crosses the State lines and is national in character. You further state that the concentration of wealth in some of the great centers is going further than the State lines and is a national problem. Then you set up a machinery which allows the Federal administrator in Washington to say to a State, which may be one of the border States but has none of this great concentration of wealth, "You kick in \$25 a month or we will not give you this \$15." What I am getting at, Doctor, is not that in variance with your general theory?

Mr. GRAHAM. I think in time, Senator, we will work out such a tax program in America that, whether it be on the Federal-State cooperative basis or the national basis within the constitutional framework of the Federal Union, we will redistribute to these armies of forgotten people on the basis of their earnings and needs the wealth that all the people of America produce.

I have a little statement here which I prepared as a supplementary statement for the Advisory Council, with regard to the grant-in-aid plan, which may, to some extent, answer your question with regard to unemployment insurance. I think your question is very pertinent.

Senator CLARK. It seems to me, following that basic premise, that the whole system should be administered by the Federal Government of the United States, on the taxes raised by the Federal Government.

Senator HASTINGS. Doctor, I want to inquire whether, from your point of view, it would be a practical thing, whether it would not be more workable if you could just eliminate the existence of the State?

Mr. GRAHAM. I would not eliminate the existence of the States. I especially could not say that, as a North Carolinian, with all of the traditions and spirit that gather around that name, that area and those people. I am trying to suggest this, Senator: I want to see this constitutional Federal Union preserved, but if we try to cope with great concentration of wealth and great national economic problems simply through the States, then we jeopardize the Federal Union, in the long run. Let us not call on the States to do things that are not in accordance with their nature.

Senator BYRD. You do not want to call on them to do an impossible thing, do you, as far as taxation is concerned?

That is what this does, as I understand it. There are very few States in the Union that can contribute \$25 to everybody over 65 years of age and remain solvent.

Mr. GRAHAM. To the extent, Senator, that you say the State cannot do it, I would say it is a Federal responsibility, on the basis of what we might call a Federal equalization plan to make provision for the people in those areas, because they are just as much American citizens as if they lived in Washington.

Senator BYRD. This bill does not provide for it.

Mr. GRAHAM. I am just giving my personal views.

Senator CONNALLY. Doctor, in regard to that question of the cooperation of the State and Federal Government, as time goes on that will come more and more into the picture?

Mr. GRAHAM. May I say in that connection that with regard to certain things the States and counties will more and more assume the responsibilities of our American Federal Union. Even in the face of these processes and development of national concentration it does not mean that localities and States are not going to have even greater responsibilities in the fields that their natures and their interests are adequate to meet.

Senator CONNALLY. Well, that is splendid and fine, but Doctor, you must agree, I think, that the whole trend is to transfer the activities to the Federal Government in a large degree. We start out here by allocating 50 percent of the burden to the State and 50 percent to the Federal Government. The chances are that the next time we will make it two-thirds for the Federal Government, and there is some argument for that now.

Mr. GRAHAM. May I put it this way? We had a school system in North Carolina set up on a local basis. There were rich counties and there were poor counties. The children who lived in Mecklenburg, Forsyth, Durham, Wake, and Burke Counties had good schools and the children who lived in other counties—I will not name them here as it might be taken in an invidious sense—had the backward schools. Now, the children who grew in those mountain counties were just as fine a stock as we had and they were not provided for in the public-school system. Therefore, a State-wide school system was provided which took account of the fact that those children were North Carolinians. That does not mean that Mecklenburg County has gone out of business or that Wake County has gone out of business. Those counties still have large responsibilities. But North Carolina guarantees to every child, white or black, rich or poor, in an industrial center or in a rural area, an 8 months' school term. Do you get my point?

Senator CONNALLY. That is what I had in mind suggesting to you, that by reason of that very fact there are going to be poor States, weak States, and more and more aid from the Federal Government has got to come into those States. For instance, during the depression did not the relief measures break down in the States, the local charities, and we had to make it a Federal relief program? The United States is an economic whole, and, as you suggest, the wealth that is concentrated in Chicago, Boston, and New York, was not made there. That wealth was drawn from all parts of the United States, through the productive activities of many of these people whom it is your object now to help safely through.

Mr. GRAHAM. Yes.

Senator CONNALLY. The only reason that the Federal Government today has maintained its financial standing and maintained its taxes has been because under the Federal system of taxation we have been able, on behalf of the whole country, to tap those sources of wealth, this concentration of wealth in the form of enormous income. On the other hand the States, counties, and cities have all been broke during the depression and unable to finance this relief. Just because of that immovable fact, whether you want to do it or not, it looks to me like you have got to more and more recognize that the need for Federal aid will be increasing.

Senator COUZENS. This is really an excellent argument. It looks to me like we would have to increase the taxes on income.

Senator CONNALLY. We ought to put the burden on those who do have the income.

Senator CLARK. Does not it follow, from that argument, that the Federal Government ought to handle the whole program?

Senator CONNALLY. It will, in the course of time, you need not worry about that.

Senator BAILEY. On that point, doctor, I would like to address your attention to the simple fact that the States which are classified as rich States, as, for example, Illinois, Pennsylvania, and New York, are making more claims on the Government right now for relief than any other States; more than North Carolina, for example.

Mr. GRAHAM. Because we have not worked out yet, Senator Bailey, an economic system that is not subject to breakdown. I think this is true: When your breakdown comes it comes heaviest in your great industrial centers.

Senator BAILEY. The theory that we have an unlimited amount of money at our command, that this committee of the Senate can reach out and get more money, is not well founded in fact.

Mr. GRAHAM. Because we have not worked out an intelligent economical social system yet, but I think it is in the power of the American people to do it in time.

Senator BAILEY. Would not we have to go down into the lower incomes as well as up into the higher ones to raise the necessary revenue? You realize the Government now is raising above \$3,200,000,000 and is borrowing \$5,000,000,000 a year to cope with this situation, and we have gone in debt now to the extent of \$32,000,000,000, all told. How do you react to that? We are face to face with a financial difficulty. How do you react to that, in view of the fact that by this program you are adding further burdens to an already overburdened Government?

Mr. GRAHAM. I am not a tax expert, Senator, but I am in favor of taxing according to ability first.

Senator BAILEY. You presume that if we did we would get enough money?

Mr. GRAHAM. If we more intelligently organize our industrial system; yes. The great potential productive capacity is here, the resources are here, the technical skill is here, the enterprise and ingenuity of people is here.

Senator BAILEY. You anticipate that occurring, but you proceed here ahead of the occurrence.

Mr. GRAHAM. I think the President's Committee, the Cabinet Committee to which we were mere advisers, has tempered this thing, it is easing it in, it is not throwing it right into the midst of the depression now. If we were to throw an unemployment compensation plan right into the midst of this depression it would be a very unsound thing to do and we would not build up any reserves. I think the Cabinet Committee has made some provisions for a gradual introduction of the program.

Senator COUZENS. Will not these necessities, in and of themselves, force us into a proper taxation system?

Mr. GRAHAM. And a more intelligent system of social control.

Senator BYRD. Do you think Doctor, that we ought to tax tax-exempt securities in order to get an equal distribution of taxation system all over the country?

Mr. GRAHAM. I haven't studied that question, Senator.

Senator BYRD. I strongly favor that, because with this excessive taxation that is coming the rich people in the country can find a refuge to escape taxation by investing their money in tax-exempt bonds.

Mr. GRAHAM. I think that question should be gone into.

Senator BYRD. There is a great reservoir of wealth there that ought to be tapped, because the richest people of the country are the people that own tax-exempt bonds.

Senator COUZENS. The total amount of tax-exempt securities that are out in this country does not anywhere equal the aggregate amount of wealth invested in industry and farms.

The CHAIRMAN. Doctor, you are not an expert on securities?

Mr. GRAHAM. I am not an expert on securities.

The CHAIRMAN. Go ahead.

Mr. GRAHAM. Mr. Chairman, I am not an expert on anything.

Senator BLACK. Doctor, as I gather it, you have an idea that this Government can still produce as much as it did in 1928 and 1929, don't you?

Mr. GRAHAM. Yes; I do.

Senator BLACK. The productive capacity of the people is the same?

Mr. GRAHAM. Yes. And, Senator Black, it can produce it on a basis that would not be in the nature of a false prosperity.

Senator BLACK. And as I gather it, you do not think that people eat money or dress in money, but we ought to organize our financial system and the entire taxation system so that when we do produce enough food we can eat it, and when we do produce enough clothing we can clothe ourselves with it, and when we do produce enough lumber we can have shelter?

Mr. GRAHAM. Yes.

Senator BLACK. You do not claim to be an expert on how we should do that, but you believe we should tax those people who are able to pay it?

Mr. GRAHAM. Yes. I believe the American people are intelligent enough to work it out.

Senator BAILEY. Doctor, the point in my mind is whether we are now as rich as we were before the depression?

Senator BLACK. Are not we as rich now, Doctor, as we were before the depression?

Mr. GRAHAM. Yes.

Senator BAILEY. Because of this depression there may be many who are not as rich as they were before.

Senator BLACK. Do we have any fewer factories than we had before, Doctor?

Mr. GRAHAM. We have no fewer factories; no, sir.

Senator BLACK. Do we have fewer farms?

Mr. GRAHAM. No.

Senator BLACK. Do we have few productive capacities?

Mr. GRAHAM. No.

Senator BLACK. We have fewer running, is not that true?

Mr. GRAHAM. Yes; we have fewer running.

Senator BLACK. They are not running because the only thing on earth that will make them run is purchasers with money. The need is there.

Mr. GRAHAM. The capacity is there, and the need is there.

Senator BLACK. The factories are there, but they will not run unless they make a profit?

Mr. GRAHAM. Yes.

Senator BAILEY. Is there any way they can sell their products except by selling them to customers with the ability to buy?

Senator HASTINGS. Doctor, do you know anybody who can work this out?

Senator BLACK. Your committee has offered one plan to help.

Mr. GRAHAM. Yes.

The CHAIRMAN. Doctor, you will find there is a sharper difference of opinion here among the members of this committee than there was on the Advisory Council.

Mr. GRAHAM. Well, there was, in the most friendly way, a sharp difference of opinion there.

The CHAIRMAN. This is in a friendly way, too.

Mr. GRAHAM. Yes, sir. I was just taking note of your word "sharp."

With regard to Senator Bailey's question, I think, Senator, that some people in America are in favor of recovery regardless of reconstruction. There are others who are in favor of reconstruction regardless of recovery. I think what we are trying to do, I think what the President of the United States is trying to do, I think what Miss Perkins, who is, I would say, in one sense, his chief lieutenant in this great program, is trying to do is to present a program by which reconstruction will accompany recovery, because if recovery is to mean merely the recovery of the old, false prosperity, then in my opinion it is but the prelude to a breakdown vaster and more terrible.

Senator BYRD. Do you think, Doctor, that a very much greatly increased taxation will be a barrier to recovery?

Mr. GRAHAM. It depends on how the taxation is used. Taking the cue from Senator Black, if the taxation is used to make greater purchasing power among the low-income groups, I think it would be a contribution to prosperity.

Senator BYRD. Do you think that business would develop and we would operate the factories that are now idle, even though there was a very much increased taxation?

Mr. GRAHAM. I do not think we can work this out over night, Senator Byrd.

Senator BYRD. I understand that. Suppose the taxation was increased largely because of the taxation that would be necessary under this bill, would that be a barrier or a disadvantage to the business recovery of the Nation, or not?

Mr. GRAHAM. I have already said, Senator Byrd, it would depend on what the purpose of the taxation was and how it was used. If we have a concentration way up at the top among people who can only wear so many shoes and eat only so much bread, whereas down at the bottom we have the millions who can eat bread and need shoes, there should be some system devised whereby the people who need these things may be able to get them.

Senator BYRD. Do not the statistics show that we are eating in this country about as much bread as we ate in the days of prosperity, including other food products? I think that is true, that during the depression the consumption of food products has been as great as during the time of prosperity.

Mr. GRAHAM. I think the President of the United States, by his social program and vision, has made that possible.

Senator COUZENS. They may have eaten as much, but they haven't worn as many clothes.

Mr. GRAHAM. No, they have not. In my State the school teachers have had to wear clothes now for 3 years—to my knowledge—they have had to wear old clothes. Some teachers in our State haven't been able to buy new clothes for several years.

Senator BAILEY. The average pay of a white school teacher is \$605 for 8 months' work, and nothing for the other 4 months.

Mr. GRAHAM. That is an illustration of the way not to do it.

Senator BAILEY. The salaries of school teachers have been very greatly reduced.

Mr. GRAHAM. Yes, sir.

Senator BAILEY. The State has found it necessary to cut down its appropriations.

Mr. GRAHAM. Yes. What we are trying to suggest, Senator, is to work out a national-Federal-State cooperative plan in America that will make those things less apt to happen.

Senator BAILEY. Our general assembly is in session and is struggling with the fiscal problem. It has been struggling successfully up to date, that much must be said for it. I do not mean this general assembly, but the last two.

Mr. GRAHAM. I think our general assembly has done the best it could.

Senator BAILEY. It has done so by cutting down the expenses.

Mr. GRAHAM. Yes.

Senator BAILEY. I would like you to tell me as a North Carolinian, assuming that this bill would impose an annual charge of a million dollars upon North Carolina, as to whether you have any suggestions on how we would get that, under the existing circumstances in the State.

Mr. GRAHAM. I am not even a tax expert in North Carolina, but, Senator Bailey, I stand on my original statement that we should first tax those who are able to stand the taxation.

Senator CONNALLY. Have you an income tax in North Carolina?

Mr. GRAHAM. We have an income tax.

Senator BLACK. Let me ask you a question about the statement I read the other day. I do not know whether it was true or not. The statement was that the tobacco companies having headquarters in North Carolina made more than enough profit last year out of that business to buy all of the tobacco raised by all of the farmers. Do you know whether that is true?

Mr. GRAHAM. I do not know whether that is true.

Senator CONNALLY. What is that about tobacco?

Senator BLACK. I told him I read a statement the other day and I asked him whether he knew it was correct. I do not remember the place where I read it, but it impressed me when I read it. That statement said that the amount of profits made by the largest tobacco

company in North Carolina, that the dividends paid—the profits—amounted to more than the total paid to the farmers for the tobacco.

Senator BAILEY. I think that was true in 1932, but last year the farmers of North Carolina received \$122,000,000 for tobacco, the price having risen from 11 cents to 27 cents.

Senator BLACK. That was when we had the program of raising the prices.

Senator BAILEY. My recollection is that in 1932 the farmers got about \$33,000,000 for the tobacco. This year they got \$122,000,000. That changed that picture.

Senator BLACK. I say if that is true that even in 1932 the tobacco companies down there made more than enough profit to buy all of the tobacco from every farmer.

Senator BAILEY. Sixty percent of the North Carolina tobacco is export tobacco, tobacco that is exported out of this country. The American manufacturers do not consume perhaps but 40 percent of the North Carolina tobacco.

Senator BLACK. Were those figures correct?

Senator BAILEY. I gave you the figures just now. What figures have you?

Senator BLACK. The figures that I read, that the manufacturers of tobacco made more than enough profit, according to the report, to buy all the tobacco from the farmers.

Senator BAILEY. In 1932 that appeared to be the fact.

Senator CONNALLY. In other words they made more than enough on 40 percent to buy the whole 100 percent?

Senator BAILEY. They did not buy the 100 percent.

The CHAIRMAN. Let us get back to this old-age pension proposition. Have you any further statement to make, Doctor?

Mr. GRAHAM. I would just like to say this and then I am through. I think this committee has one of the greatest opportunities of any committee of the United States Senate, that any committee has ever had. With all of us working together to do the best that we can with what we have we can work out of this present situation.

As I think of it now, there are, in one sense, three large periods in American history. Here was a great wilderness, and the Americans with their axes and rifles, subdued that wilderness with initiative, enterprise, courage, daring, and social vision. Then, with scientific knowledge and mechanical devices, we have mastered this great physical continent.

I think today we face, in a sense, a great wilderness, a great wilderness of unemployment, insecurity, desolation and fear. I believe the American people, focused today in your councils and deliberative bodies, can, in this generation, with inventive capacity and daring, enterprise and social vision, work out social devices that can cope with the great industrial, financial, and social problems and build a cleaner, a nobler, and more beautiful America. That is my faith.

The CHAIRMAN. Doctor, may I ask you, in conclusion, a question on this proposition: If the committee should determine that the unemployment-insurance proposition here is very well worked out and that these contributions by the Federal Government should be made to crippled children, for health, and so forth, but on the old-age-pension proposition we were convinced that an appreciable number of the States in this country were not in a financial condition to

comply with these requirements, and so forth, but to leave it with them to pass some kind of pension laws, not contingent on the proposition that the Federal Government should contribute something to it and the Federal Government did put in the \$15 pension, do you think that would be better than doing nothing on this proposition?

Mr. GRAHAM. I think that would be better than doing nothing. I think there is something else that would be even better than that.

The CHAIRMAN. What is that?

Mr. GRAHAM. That is for the Federal Government, with its power to tax, on an equitable basis, to come to the aid of those States.

The CHAIRMAN. I said for the Federal Government to contribute to the States \$15, for instance.

Mr. GRAHAM. Yes. And even on this basis of equalization, of which North Carolina is the foremost example today in the American educational field, to work out some equalization plan by which an old person who happens to live in a poorer State would not get less than an old person who lives in one of the richest States.

Senator BYRD. Under your plan, Doctor, that cannot be carried out, because the States have got to put up not less than one-half, and if it is a poor State and unable to pay it will not get any aid from the Federal Government.

I was impressed by what you said about the school teachers in North Carolina being underpaid, but do not you think if North Carolina has to contribute a large sum to those covered by this bill that that will prevent the school teachers from ever being paid an adequate salary? They can only raise so much by taxation. If you divert a part of the fund of North Carolina to this purpose you will have just that much less with which to pay the school teachers?

Mr. GRAHAM. I am speaking for myself personally here. It is true if there are States who cannot meet this expense the Federal Government, on that basis, has a great national responsibility and should make a supplementary grant-in-aid.

The CHAIRMAN. You can appreciate that we have got a hard nut to crack.

Mr. GRAHAM. Yes. I would like to just introduce here the supplementary statement with regard to the grant-in-aid type of Federal-State cooperative plan for unemployment compensation, which expresses the view of the majority in general and of Messrs. Leeds, Green, and Kellogg and myself by express declaration. Several of us support this plan because it would, we believe, make a better provision for a Federal reinsurance fund and for essential national minimum standards with regard to the waiting period, the rate and duration of benefits.

THE GRANT-IN-AID TYPE OF FEDERAL-STATE COOPERATIVE PLAN FOR UNEMPLOYMENT COMPENSATION

(Not an analysis or comparison, but a supplementary summary of some of the larger aspects of the grant-in-aid plan supported by the majority.)

The majority of the Advisory Council on Economic Security by a close vote favor the grant-in-aid type of Federal-State cooperative plan for unemployment compensation. By close votes the proposals for a 5-percent and a 4-percent tax on employers' pay rolls for the purpose of providing longer benefit periods were lost. The committee then united on the 3-percent tax on employers' pay rolls. The committee voted against providing for employee contribution in the Federal act, and left to the States this question and other forms of increased contributions.

A number of the majority are for an outright national plan. All would strongly favor the Wagner-Lewis type as against any less meritorious plan. All would present a united front against those who would oppose or delay legislation this winter. Yet the majority are clearly for the grant-in-aid plan.

The fundamental position upheld by the majority is that the grant-in-aid plan is more adaptable to our economic life and to the needs of both industry and the workers. American economic society is national in nature. It is not organized according to geographical or political subdivisions. Industries reach across States, sections, and even the continent. In this economic society labor is mobile. Workers move from industry to industry, from State to State, from an industry in one State to the same industry in another State, and from an industry in one State to a different industry in another State. In a society of fluid capital, migratory industries, shifting labor markets, seasonal, technological, and cyclical factors, unemployment is a social hazard of our dynamic industrial life.

Unemployment is, thus, a problem of industry and the Nation. Its economic and other causes and its social and other incidence involve our whole industrial order. Any Federal-State cooperative plan for unemployment compensation should, therefore, recognize as far as practicable and wise, our national economic structure. Cooperative Federal-State legislation and administration should recognize the spheres and values of the Federal and State Governments, but the States should not be required to attempt to meet the situation and serve purposes not in accordance with their situation and nature.

The purpose of the Federal-State cooperation is to stimulate a more intelligent stabilization of industry and to provide more security for the workers. The Wagner-Lewis plan and the grant-in-aid plan are both Federal-State plans directed toward these two ends, with somewhat more recognition of the State approach in the former and with somewhat more recognition of the national nature of unemployment in the latter. The majority hold that the grant-in-aid plan can more adequately meet the needs of American industries and workers with their unemployment problems created by (1) national and interstate industries, (2) mobile labor, interstate transfers, and employment records, (3) the need for Federal reinsurance, and (4) the need for national minimum standards. Under the grant-in-aid plan the Federal-State administration can more effectively guard the integrity of the fund, the stabilization of industry, and the best interests of the workers as parts of our national dynamic society.

The collection of the tax by the Federal Government required by the grant-in-aid plan affords a clearer basis for the deposit of the money in the Federal Reserve banks. There can, under this plan, be no basis for pressure on Congress to allow the money to be deposited in local (and in some States political) banks. The value of the nationally wise use of the funds by the Federal reserve as an aid to stabilization cannot then be jeopardized by either financial short-circuits or political misuse. The fact that also in this Federal-State cooperative plan, the Federal and State administrative agencies will cooperate with the present United States Employment Service eliminates the issue of any large bureaucracy.

Furthermore, the grant-in-aid law would be separate from the tax law. Congress has power to levy this geographically uniform excise tax on pay rolls. Congress also has power to appropriate money as grants-in-aid to States for a public purpose on terms laid down by Congress. Unemployment compensation and the promotion of industrial stabilization and social security constitute a clear public purpose. In the Wagner-Lewis plan the tax and the appropriation are joined in the same act. Under the strain of carrying sufficient national minimum standards and other regulations required by the interstate and national nature of industry and unemployment such a joint act more seriously raises the question of constitutionality.

The grant-in-aid plan appears not only the stronger constitutionally, but it is also a variation and development of Federal grants-in-aid which are historically established part of our Federal-State structure. This plan also more nearly fits in with some other recommended plans to promote insurance against destitution and could more readily help to unify the collection of the funds involved in a more comprehensive program of social security.

For the purpose of securing early legislation by the States for this program, Congress could fix a time limit as a condition for a valid acceptance by the States. Moreover, with the interests of industry and 16,000,000 workers involved it is inconceivable that Congress would ever fail to continue the appropriations.

The grant-in-aid plan, it seems to us, can provide for Federal-State cooperation and yet is more adaptable to the needs of industry and the workers in our national economic society. It can secure and maintain Nation-wide minimum standards

without validly raising the question of constitutionality, and provides for experimentation in the interests of stabilization. It leaves open to the States experimentation along the lines of pooled insurance, plant accounts with safeguards for the workers, or a combination of the two. The plan can also provide a clearer basis for experimentation along interstate and even national lines. On the basis of all these experiments, we may make modifications and adaptations and develop toward the best plan whether mainly State-Federal, mainly Federal-State, or wholly national.

Finally, we believe that the grant-in-aid plan can better provide for essential minimum standards in the interests of the fund, the employers, and the employees. Minimum standards for all the States in such a Federal cooperative plan would furnish the bottom below which there must be no chiselling or exploitation and above which there can be wide experimentation by the States and industries for the purpose of stabilization, increased employment and more security for the workers of America.

The CHAIRMAN. That may go in the record. The committee stands adjourned until 10 o'clock Monday morning.

(Whereupon, at the hour of 11:45 a. m., the committee adjourned until Monday, Feb. 4, 1935, at 10 a. m.)

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ECONOMIC SECURITY ACT

HEARINGS

BEFORE

THE COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-FOURTH CONGRESS

FIRST SESSION

ON

S. 1130

A BILL TO ALLEVIATE THE HAZARDS OF OLD AGE,
UNEMPLOYMENT, ILLNESS, AND DEPENDENCY,
TO ESTABLISH A SOCIAL INSURANCE BOARD
IN THE DEPARTMENT OF LABOR, TO
RAISE REVENUE, AND FOR
OTHER PURPOSES

PART 6

FEBRUARY 4 AND 5, 1935



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ECONOMIC SECURITY ACT

MONDAY, FEBRUARY 4, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in the Finance Committee room, Senate Office Building, Senator Pat Harrison (chairman) presiding.

Present: Senators Harrison (chairman), George, Bailey, Costigan, Byrd, Lonergan, Gerry, Guffey, Couzens, Keyes, Metcalf, and Capper.

The CHAIRMAN. The committee will come to order.

I desire to place in the record a letter which I have received from Dr. Edwin E. Witte, of the Committee on Economic Security, transmitting a statement and tables giving the estimated costs of old-age pensions to the States.

(Statements and tables are as follows:)

COMMITTEE ON ECONOMIC SECURITY,
Washington, February 5, 1935.

Senator PAT HARRISON,
Chairman Senate Finance Committee,
Washington, D. C.

DEAR SENATOR HARRISON: Pursuant to instructions from the Finance Committee given me on the last day that I testified, I am enclosing herewith, an estimate of old-age pensions to the several States. This is stated in a table with a brief preceding explanation.

It is my understanding that this statement and table were to be included in the record of the hearings on the Economic Security Act.

Yours very truly,

COMMITTEE ON ECONOMIC SECURITY,
EDWIN E. WITTE, *Executive Director*.

ESTIMATED COSTS OF OLD-AGE PENSIONS TO THE STATES

(By the executive director and staff of the Committee on Economic Security)

In estimating the cost of old-age pensions to the States under the pending bill for an economic security act, there are two uncertainties: (1) the number of old people who will qualify for old-age pensions and (2) the probable average pension grants.

The pending bill contemplates that only old people who are in need of public assistance shall be granted a pension. While one-half of all people over 65 years of age do not have adequate means of their own, the great majority are now being supported by children, other relatives, and friends. The pending bill contemplates that they shall continue to be so supported and that only those among their number, who actually are not being supported by anyone else and are dependent upon public assistance, shall be granted a pension. The great majority of old people, who are in need of public assistance, are now on Federal Emergency Relief rolls, in addition to which there are, in some States, a considerable number of aged people who are now receiving old-age pensions. Not all of the old people now on relief can qualify for old-age pensions, due to the fact

that some of them are not citizens and others cannot satisfy the 5-year residence requirement. It is believed to be a reasonable estimate, however, that the number of people, who will qualify for old-age assistance after the old-age assistance laws come fully into operation, is approximately the total of the number of the old people now on relief plus those who are in receipt of old-age pensions, where such laws are now in operation. This total is shown in column 3 of the table hereto attached.

Under the pending bill, the old-age assistance grants are to be an amount which, when added to the income of the applicant and his or her spouse, is adequate to provide "a reasonable subsistence compatible with decency and health." With this standard the amount of the grants will vary in each case with the needs and circumstances of the pensioner. Manifestly, smaller grants will be needed in rural areas than in metropolitan districts. In States in which old-age pension laws are now in operation, the grants averaged \$18.75 per month in 1933 and \$16.47 in the early fall of 1934. The States which have been granting old-age pensions, moreover, are on the whole much more industrial than the States which now have no old-age assistance laws; hence, it is probable that the average pension grants in States not now having such laws will be lower than in the more industrial States. Grants to persons on relief in 1934 averaged \$25.83 per family. There was, however, a very great difference in these grants among the States, ranging from \$10.33 in Oklahoma to \$44.94 in New York. Similar variations will doubtlessly occur in the old-age assistance grants. Since these grants are made on an individual basis, they will manifestly tend to be lower than the average monthly relief grants per family, since the relief families include an average of 4.3 persons per family.

In the attached table, five different bases are assumed for estimating the total yearly costs of old-age pensions to the States: Average pensions of \$10 per month; average pensions of \$15 per month; average pensions of \$20 per month; average pensions of \$25 per month; and an average of \$20 per month for the entire country, distributed between the States in the same proportion as relief grants per family in these States bear to the average throughout the country.

Which of these columns will most nearly fit a particular State, is a matter of judgment. The last column in the table is the one which we believe most nearly approximates the probable total cost to the States. In the first year, and perhaps the second, however, these total costs will probably not be realized, as there will be an inevitable lag in getting the aged people, now on relief, on the pension rolls.

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State	Estimated number of persons 65 and over on relief November 1934	Number of persons receiving old-age pensions 1934	Total number 65 and over likely to be on pension rolls	Average monthly relief per family 1934 ¹	Average monthly old-age pension 1934	Estimated total yearly cost to States of old-age assistance			
						Average pension \$10 a month (in \$1,000)	Average pension \$15 a month (in \$1,000)	Average pension \$20 a month (in \$1,000)	Average pension \$25 a month (in \$1,000)
Alabama.....	9,521	1,974	9,521	\$14.46	-----	\$571	\$857	\$1,143	\$1,428
Arizona.....	5,238	-----	5,238	20.60	\$9.01	314	471	629	786
Arkansas.....	20,681	-----	20,681	13.17	-----	1,241	1,861	2,482	3,102
California.....	23,384	19,300	42,684	31.77	21.16	2,561	3,842	5,122	6,403
Colorado.....	13,501	8,705	22,206	26.60	8.59	1,332	1,999	2,665	3,331
Connecticut.....	6,468	-----	6,468	33.06	-----	338	582	776	970
Delaware.....	606	1,610	2,216	22.47	9.79	133	199	266	332
District of Columbia.....	814	-----	814	36.68	-----	49	73	98	122
Florida.....	9,778	-----	9,778	12.92	-----	587	880	1,173	1,467
Georgia.....	11,909	-----	11,909	14.98	-----	715	1,072	1,429	1,786
Idaho.....	4,891	1,275	6,166	21.18	8.85	370	555	740	925
Illinois.....	46,503	-----	46,503	20.96	-----	2,700	4,185	5,580	6,975
Indiana.....	28,300	23,418	51,808	25.00	6.13	3,108	4,663	6,217	7,771
Iowa.....	7,855	3,000	10,855	18.60	13.50	651	977	1,303	1,628
Kansas.....	15,578	-----	15,578	20.15	-----	935	1,402	1,869	2,337
Kentucky.....	17,279	-----	17,279	8.26	-----	1,037	1,555	2,073	2,592
Louisiana.....	6,209	-----	6,209	21.96	-----	373	559	745	931
Maine.....	3,754	-----	3,754	41.84	-----	225	338	450	563
Maryland.....	4,184	141	4,325	31.00	29.90	260	389	519	649
Massachusetts.....	28,000	20,023	48,023	39.78	24.35	2,917	4,376	5,835	7,293
Michigan.....	30,431	2,660	33,091	30.22	9.59	1,985	2,978	3,971	4,964
Minnesota.....	27,482	2,655	30,137	27.90	13.20	1,808	2,712	3,616	4,520
Mississippi.....	14,218	-----	14,218	11.11	-----	887	1,285	1,714	2,142
Missouri.....	23,415	-----	23,415	16.79	-----	1,525	2,287	3,050	3,812
Montana.....	4,792	1,781	6,573	31.00	7.28	394	592	789	986
Nebraska.....	7,357	-----	7,357	20.15	-----	441	662	883	1,104
Nevada.....	1,379	23	1,402	36.16	15.00	84	126	168	210
New Hampshire.....	1,937	1,423	3,410	29.45	19.06	205	307	409	512
New Jersey.....	18,468	10,560	29,028	30.74	12.72	1,742	2,613	3,483	4,351
New Mexico.....	6,835	-----	6,835	19.11	-----	410	615	820	1,025
New York.....	45,944	51,228	97,172	44.94	22.16	5,832	8,745	11,661	14,576
North Carolina.....	14,201	-----	14,201	12.66	-----	882	1,278	1,704	2,130

¹ Average monthly relief per family for each State was calculated by taking the arithmetic average of the average amounts paid to families during the months of June and November 1934 in each State.

Estimated annual cost to States of old-age assistance under the pending Economic Security Act, after the Act has come into full operation—Continued

State	Estimated number of persons 65 and over on relief November 1934	Number of persons receiving old-age pensions 1934	Total number 65 and over likely to be on pension rolls	Average monthly relief per family 1934 ¹	Average monthly old-age pension 1934	Estimated total yearly cost to States of old-age assistance				
						Average pension \$10 a month (in \$1,000)	Average pension \$15 a month (in \$1,000)	Average pension \$20 a month (in \$1,000)	Average pension \$25 a month (in \$1,000)	Average pension \$20 a month distributed in proportion to relief now given by States (in \$1,000)
North Dakota	6,872	24,000	6,872	\$25.31	---	\$412	\$818	\$825	\$1,031	\$808
Ohio	46,878	---	70,878	25.06	\$13.99	4,273	6,379	8,505	10,632	8,250
Oklahoma	26,629	---	26,629	10.33	---	1,598	2,397	3,195	3,994	1,278
Oregon	9,360	---	9,360	25.37	---	562	842	1,123	1,404	1,112
Pennsylvania	48,039	---	48,039	28.15	---	2,882	4,324	5,765	7,205	6,284
Rhode Island	2,365	---	2,365	36.42	---	142	213	284	355	400
South Carolina	12,776	---	12,776	10.85	---	767	1,150	1,533	1,916	644
South Dakota	8,738	---	8,738	27.38	---	524	786	1,049	1,311	1,111
Tennessee	7,669	---	7,669	12.14	---	460	690	920	1,150	433
Texas	50,242	---	50,242	12.66	---	3,015	4,522	6,029	7,536	2,954
Utah	5,808	930	6,738	25.83	8.56	404	606	800	1,011	808
Vermont	890	---	890	31.51	---	53	80	107	134	130
Virginia	6,588	---	6,588	11.62	---	385	593	791	988	356
Washington	9,352	2,239	11,591	22.73	---	695	1,043	1,391	1,739	1,224
West Virginia	15,306	---	15,306	16.27	---	918	1,378	1,837	2,296	1,157
Wisconsin	15,590	1,969	17,549	32.03	16.75	1,053	1,579	2,106	2,632	2,611
Wyoming	1,572	643	2,215	24.02	10.79	133	199	266	332	247
Total	736,342	179,557	915,899	25.83	16.47	54,956	82,434	109,917	137,393	110,657

There is also being placed in the record a letter received from Dr. Witte, transmitting certain supplemental statements to the Report of the Advisory Council to the Committee on Economic Security.

COMMITTEE ON ECONOMIC SECURITY,
Washington, February 5, 1935.

HON. PAT HARRISON,
Chairman Senate Finance Committee, United States Senate,
Washington, D. C.

DEAR SENATOR HARRISON: While testifying on the pending economic security bill, I was asked to file a list of the principal studies and reports prepared for or presented to the Committee on Economic Security; also, the report of the Advisory Council on Economic Security.

Complying with this instruction, I am submitting herewith a list of the principal studies and reports prepared for or presented to our committee. All of these are available only in typewritten or mimeographed form but if any of them are desired by your committee, we will be glad to submit the same.

The general report of the Advisory Council has already been filed with the clerk of your committee. In addition, three supplemental statements presenting the views of various members of the Council were submitted subsequent to the filing of the general report. These supplemental statements are also sent you herewith, together with another copy of the general report.

At this time we also submit the two reports filed by the other principal advisory group to our committee, the technical board on economic security.

If other reports prepared for or presented to the Committee on Economic Security are desired, we will be glad to have you so advise us.

Very truly yours,

COMMITTEE ON ECONOMIC SECURITY,
EDWIN E. WITTE, *Executive Director.*

PRINCIPAL STUDIES AND REPORTS PREPARED FOR OR PRESENTED TO THE COMMITTEE ON ECONOMIC SECURITY

GENERAL

Advisory Council on Economic Security: General Report, with three supplementary statements by various members of the Council.

Technical Board on Economic Security: Preliminary Report. Social Security. By President Roosevelt and others. (Principal addresses at the National Conference on Economic Security.)

FACTUAL BACKGROUND

The Need for Economic Security. By the editorial staff of the committee. (Charts.)

The Need for Additional Measures to Afford Economic Security to Individuals. By Edwin E. Witte.

OLD-AGE SECURITY

Old Age Security: Final report, by the Old Age Security Staff.

British Old Age Pensions and Old Age Insurance. By Olga S. Halsey.

Government Annuities in Canada. By Walter F. Eade.

Why the Townsend Old Age Revolving Pension Plan is Impossible. By Edwin E. Witte.

UNEMPLOYMENT COMPENSATION

Unemployment Insurance. By Bryce M. Stewart and staff.

Administration of Unemployment Reserve Funds. By O. S. Powell and Alan R. Sweezy.

Unemployment Insurance Estimates. By the actuarial and statistical staff of the Committee on Economic Security.

Brief in Support of the Economic and Legal Basis of Compulsory Unemployment Insurance. By James Harrington Boyd.

Major Issues in Unemployment Compensation. By Edwin E. Witte.

Limitation and Value of Unemployment Insurance. By Edwin E. Witte.

The Stabilization of Employment and Unemployment Compensation. By Constance A. Kiehel.

- The Dismissal Wage. By G. Reginald Crosby.
 Administration of Unemployment Insurance in Great Britain. By Maud B. Patten.
 Unemployment Insurance in Germany. By Jeanne C. Barber.
 Unemployment Insurance in Switzerland. By Wilbur J. Cohen.
 Suitability of Employment. Involving separation from home and heavy traveling expenses. By Olga Halsey.
 Appeal Procedure in the British Act and in American Proposals. By Olga S. Halsey.
 Some Popular Misconceptions Regarding Unemployment Insurance. By Alexander Holtzoff, member of the technical board.

SECURITY FOR CHILDREN

- Security for Children. By Katharine F. Lenroot and Dr. Martha Eliot of the U. S. Children's Bureau, in cooperation with the Advisory Committee on Child Welfare.

ECONOMIC RISKS ARISING OUT OF ILLNESS

- Risks to Economic Security Arising out of Illness. By Edgar L. Sydenstricker and Dr. I. S. Falk.
 Estimates of the Wage Loss and Medical Costs of Illness. By Edgar L. Sydenstricker and Dr. I. S. Falk.

EMPLOYMENT ASSURANCE AND RELIEF

- Planned Opportunity for the Extension of Employment Opportunity and Economic Security. By Meredith B. Givens.
 A Permanent Program for Public Employment and Relief. By Emerson Ross.
 Who Are the Unemployed. By Gladys L. Palmer.
 Significant Phases of Foreign Experience. By Eveline M. Burns.
 A Program of Government Work for the Unemployed: An Appraisal of Philadelphia Experience. By Ewan Clague.

SOCIAL INSURANCE, GENERAL AND MISCELLANEOUS

- Economic Security for Farmers and Agricultural Laborers. By Dr. Louis H. Bean and associates, U. S. Department of Agriculture.
 American and European Provisions for Survivors. By Olga S. Halsey.
 Invalidity Insurance: American and British Experience. By Olga S. Halsey.
 Analysis of American Data Showing Invalidity Below 65. By Olga S. Halsey.
 Workmen's Compensation. By S. Kjaer, U. S. Bureau of Labor Statistics.
 The Possibilities of a Unified System of Insurance Against Loss of Earnings. By Mrs. Barbara Nachtrieb Armstrong.
 Federal-State Relationships in Relation to a Program of Economic Security. By Jane Perry Clark.

SUPPLEMENTAL STATEMENTS TO THE REPORT OF THE ADVISORY COUNCIL TO THE COMMITTEE ON ECONOMIC SECURITY

WASHINGTON, D. C.
 December 15, 1934.

HON. FRANCES PERKINS,
Secretary of Labor, Washington, D. C.

DEAR MADAM SECRETARY: In accordance with your invitation given at the opening of the Advisory Council on Economic Security, indicating that you would be glad to consider views expressed by a minority or individuals, we desire to submit the following:

Our sympathy for the objectives expressed by the President concerning greater social security and the removal of fear of unemployment from the worker's mind moves us to the belief that certain of the recommendations of the Advisory Council should be emphasized:

1. The first objective that should be encouraged is stabilization of employment, or assurance of employment, and this is along the line of the President's pronouncement that, if this could be accomplished, the worker would be able to look forward to at least a minimum amount for an annual wage on which to plan his family's support. This should produce better work at lower cost, reflected in lower selling prices and a consequent increase in consumption on the part of the community. No one knows how much can be done along the line of stabilization

of employment, and therefore every effort should be made to encourage experiments in this direction by individual companies, who will give adequate indemnities in the shape of Government bonds or otherwise to see that their guarantees of minimum annual employment will be carried out. To show that much more can be done along this line, we quote from an article in the New Republic of December 5, entitled "Security for Americans", by Elizabeth Brandeis:

"Although benefits do not begin generally under the law until reserves have been built up for 1 year, 70 companies have already guaranteed their 3,000 Wisconsin workers two-thirds of full-time work and wages for at least 42 weeks of the current year. Many other workers are now employed on a year's salary contract, as a direct result of the act, even before it is fully operative."

The assurance given to these 3,000 Wisconsin workers is equivalent to almost 54 percent of normal annual work or pay. If this is the result after the Wisconsin law has been in effect for only a few months and in one State, surely there must be a great opportunity for stabilization of employment and assurance of a large part of an annual wage throughout the United States. The law that should be enacted should recognize this as a desirable result of the legislation and should stimulate to the greatest extent such efforts of individual companies.

2. We would call your attention to the second principal objective mentioned on the first page of the Council's report:

"The plan should serve as an incentive to employers to provide steady work and to prevent unemployment."

We feel that considerable progress can be made toward this objective if companies or industries are permitted to set up separate accounts, with the safeguard provided in the Council's report.

If a plant or industry can reduce unemployment, after a certain reserve has been built up, their contribution to the reserve becomes less, which means their cost of production is less and that the selling price to the public may be reduced. Management will be encouraged to strive for greater efficiency in plant operation, and the cost of the less regular industries will be borne by such industries, which is in line with the philosophy of the workmen's compensation acts generally adopted in this country; i. e., that the cost of the more hazardous or less efficiently managed industries is reflected in the cost of production and therefore in higher selling prices to the public, and these increased costs are not borne by the industries which are less hazardous or more efficiently managed. If the community needs the products of such more hazardous or less efficiently managed industries, the increased cost thereof should be borne by the community. Miss Brandeis, in the article previously referred to, says:

"Under a pooled unemployment-insurance fund (as in Europe) this subsidy comes in large part from competitors who operate more steadily; namely, other concerns in the same industry or other industries that compete for the consumer's dollar. For instance, coal mines run irregularly, while oil refineries or water-power plants employ their workers more nearly the year round. Now, if idle coal miners were supported in part by insurance contributions from oil refineries and water-power plants, could anyone tell which is really the cheapest fuel? If the shoe factory or automobile plant which runs the year round had to subsidize the competing factory or plant which does not, there would arise a species of unfair competition that might even force out of business the truly low-cost concern."

In Ohio, where a pooled plan has been recommended, differences in hazards are recognized and varying rates may in time be determined for the different industries.

3. Because there is such a wide difference of opinion and so little actual experience, we cordially endorse the President's view that there should be the widest opportunity for experimentation and encouragement should be given to companies and industries, whether intrastate or interstate, to experiment with standards not less favorable than those approved by a governmental administrative body.

Respectfully yours,

M. B. FOLSOM.
M. E. LEEDS.
S. LEWISON.
RAYMOND MOLEY.
GERARD SWOPE.
W. C. TEAGLE.

UNEMPLOYMENT INSURANCE

	Em- ployer	Em- ployee	Total
	Percent	Percent	Percent
1936-37 (1 year).....	1		1
1937-38 (1 year).....	1½		1½
1938-39 (1 year).....	2	½	2½
1939-40 (1 year).....	2½	½	3
1940-43 (3 years).....	3	½	3½
1943-46 (3 years).....	3	½	3½
1946-49 (3 years).....	3	½	3½
1949-52 (3 years).....	3	½	3½
1952.....	3	½	3½

PENSIONS

1936-40 (4 years).....	½	½	1
1940-43 (3 years).....	½	1	1½
1943-46 (3 years).....	1	1½	2½
1946-49 (3 years).....	1½	2	3½
1949-52 (3 years).....	2	2½	4½
1952.....	2	3	5

TOTALS

1936-37 (1 year).....	1½	½	2
1937-38 (1 year).....	2	½	2½
1938-39 (1 year).....	2½	1	3½
1939-40 (1 year).....	3	1	4
1940-43 (3 years).....	3½	1½	5
1943-46 (3 years).....	4	2	6
1946-49 (3 years).....	4½	2½	7
1949-52 (3 years).....	5	3	8
1952.....	5	3½	8½

WASHINGTON, D. C., December 15, 1934.

Hon. FRANCES PERKINS,

Secretary of Labor, Washington, D. C.

DEAR MADAM SECRETARY: The Advisory Council has gone on record as not approving in principle employee contributions. We feel very strongly on this subject, and therefore beg leave to submit this, our position, to you for your consideration.

Employee contributions are in effect in every system of unemployment insurance in Europe, with the single exception of Russia. Experts and actuaries have worked on this problem and many have made recommendations through various State commissions for employee contributions. To mention only a few, the Minnesota commission recommended 50 percent from the employee and 50 percent from the employer; in Ohio, two-thirds from the employer and one-third from the employee (total 3 percent, although in this instance the actuary recommended 50 percent from the employer and 50 percent from the employee, 2 percent each); and in New Hampshire, 2½ percent from the employer and 1 percent from the employee. With employee contributions, the total fund can be increased over that provided merely by employer contributions, which therefore increases the amount and lengthens the period of benefits; and, even more important, employee contributions provide more effective administration and a clearer conception on the part of workers of their responsibilities as self-respecting citizens, the worker than regarding the plan as partly his own to which he has contributed, and not looking upon it as something given to him as a gratuity.

In the discussion in the Council, many held that, while unemployment insurance was a burden that should be rightly carried by the employer alone, old-age pensions were not properly a burden on industry, but that old age is an incident in everyone's life. The Council voted, however, that the burden of old-age pensions should be borne equally by employer and employee, not because it was either scientifically correct or just, but principally because this was the simplest way of accomplishing the results. Therefore, possibly by combining unemployment insurance and old-age pensions something can be done to meet these divergent views and which will give a larger fund for unemployment insurance than that recommended by the Council and make both plans effective at

an earlier date than the recommendations of the Council call for. In the recommendations of the Council, both plans will be in full force and effect in 1956. Enclosed is a table and a chart which will bring both plans into full force and effect in 1952, will give a larger amount for unemployment insurance, and will make the imposition of the burden on the employer more gradual and easier to bear without unduly increasing the burden on the employee. In considering this table and chart, we appreciate, of course, that different combinations can be made as to rates and time when such rates become effective.

Respectfully yours,

M. B. FOLSOM.
S. LEWISOHN.
RAYMOND MOLEY.
GERARD SWOPE.
W. C. TEAGLE.

PRELIMINARY REPORT OF THE TECHNICAL BOARD TO THE COMMITTEE ON
ECONOMIC SECURITY

We have devoted considerable time to a detailed study of the preliminary report of the staff and find this report very illuminating. We congratulate Mr. Witte and the staff upon the progress of the studies. We feel, however, that further study by the staff and ourselves is required before we can make any definite or final recommendations.

As preliminary recommendations we submit the following observations:

1. The final scope of the program, as well as the rate at which it can be adopted, must be formulated in the light of business and fiscal conditions. The comprehensive program for economic security outlined in the preliminary report, would cost between 3 and 4 billion dollars per year and even more, depending on the scope of the public employment provided. The parts of the program financed exclusively or mainly by contributions of (taxes on) the employers and employees will involve approximately the following percentages of the included pay rolls (assuming as liberal benefits as outlined in the preliminary report): Unemployment insurance, 4½ percent; contributory old-age insurance, 4 percent; health insurance, 3 to 5 percent (depending upon the scope). The parts involving subsidies from the Treasury would cost the following annual estimated totals per year: Non-contributory old-age pensions, \$100,000,000; mothers' pensions, \$50,000,000-\$75,000,000; contributory old-age insurance, \$500,000,000, for 35 to 40 years (with some offset, however, for the first two of these subsidies, in reduced relief costs). These costs must be borne in mind in all considerations of this program, particularly its timing.

2. With in the neighborhood of 9,000,000 persons unemployed, and above 80 percent of the 4,000,000 families and 700,000 individuals who are dependent upon the public for support on relief list because of unemployment, unemployment now constitutes the most acute economic insecurity and it must be recognized that it is likely to remain a serious problem for some time to come. Under these circumstances, the most necessary measure for economic security is the continuance of provision for relief to the full extent that is financially possible.

3. A comprehensive program affording economic security to the individual in all major hazards contains many features which cannot possibly be put into effect for several years, but the place of each in the complete program and the important matter of priorities should be set forth in the final report of the committee and, if possible, also in the legislation to be recommended to the next Congress. The legislation recommended should include an administrative set-up under which not only will there be a continuing study of all phases of the problem but the several parts of a unified economic security program may be brought into operation when conditions permit, without necessity of extensive further legislation.

4. A comprehensive, long-time program for economic security should probably include as its major elements:

A. COMPULSORY UNEMPLOYMENT INSURANCE

On this subject the present trend of thought (subject to change) of the Board runs along the following lines:

(a) Unemployment insurance is an essential measure for the economic security of the most stable part of our industrial population, but is not a complete, all sufficient solution of the problem.

(b) Unemployment insurance should be strictly contractual, divorced from any means test. Unemployment insurance funds should not be used for relief or any other purposes other than the payment of ordinary benefits.

(c) Unemployment insurance should be supported by contributions from the employers and probably also from the employees. There should be no public contributions.

(d) All contributions should at the outset be pooled in a single fund but there should be further exploration of the advisability of permitting "contracting out" by separate industrial and house funds under restrictions adequately safeguarding the employees.

(e) Benefits should be paid in cash for a limited period only, in proportion to the claimant's period of employment, and should be sufficient to support the family while being paid.

(f) If constitutional, a nationally administered system of unemployment insurance is to be preferred to a State system, but the committee should be satisfied that a nationally administered system is constitutional before commitments in favor of such a system are made to the public.

(g) If unemployment insurance is to be developed under a system of State administration or if industrial or house funds are permitted, a portion of all contributions should be set aside in a national reinsurance fund to guarantee payment of the contractual benefits from the separate funds.

C. OLD-AGE SECURITY

As we now see the problem of the aged, a long-time program for economic security should include:

(a) State-administered noncontributory old-age pensions based on a revised means test, with Federal subsidies conditioned upon compliance with standards which will liberalize the restrictive-resident and other provisions of the existing State laws.

(b) A contributory old-age insurance system which should, if at all possible, be administered by the Federal Government. This system should be based on reserve principles, but should grant a limited credit for workers who reach retirement age before enough of a reserve has been created to give them a reasonable pension. The Federal Government should assume the liability for this credit, but the cost should be spread over a considerable period of time. No pensions should be paid until after the system has been in operation for at least 5 years. The system should be compulsory for all employed workers (with some exceptions) and optional for other classes of the population. The benefits should be computed on a basis which will be self-sustaining from the contributions of employers and employees aside from the accrued credits to present employees now of middle age or older.

D. MEDICAL CARE

To provide completely for the loss resulting through sickness among the people in the lowest income groups, there should be, as we now see it:

(a) Improved provisions for public-health services, stimulated through Federal subsidies.

(b) A State-administered system of health insurance which should be compulsory for people in the lowest income groups and optional for people of somewhat higher income level. Ideally such health insurance system should cover the costs of general practitioners' and special medical services, hospital, clinical, nursing, and dental care, and should apply not merely to the wage earners but to all members of their families as well.

(c) A system of insurance against loss of wages resulting from illness. This should be administered through the same agencies as unemployment insurance, but the fund should be kept distinct from unemployment insurance.

E. SECURITY FOR CHILDREN

There is need for special measures for the security of children along the two following lines:

(a) Federal subsidies should be given to strengthen the existing State mothers' pension laws, for the support of widowed and deserted young families.

(b) Federal subsidies should be given for health work for mothers and children, particularly in rural areas, along the general lines of the former Sheppard-Towner Act.

F. ACCIDENT INSURANCE

On accident insurance it is the present thought:

(a) Workmen's compensation should remain a State function, but the Federal Government should actively interest itself in securing greater uniformity in the State laws and raising their standards.

(b) Economic loss resulting from nonindustrial accidents can best be met as a part of health and invalidity insurance.

G. SURVIVORS INSURANCE

Some provision must necessarily be made in connection with old-age insurance for surviving widows in the older age groups of pensioners who die after their insurance rights have matured. A more general form of survivors insurance may be desirable, but cannot be considered immediately feasible.

H. INVALIDITY INSURANCE

Ideally the risks of invalidity should be covered through a social insurance system. Statistics should be gathered for the computation of costs but it now seems that this should be the last part of a complete social insurance system to be put into operation.

I. RELIEF

There will always be a residual group for whom relief must be provided, on a means test basis. Plus this, there is a large problem in the care of the traditionally "dependent and defective" classes. Care of these classes should be regarded as a State and local responsibility, as should be relief, except in periods of great emergencies.

REPORT OF THE TECHNICAL BOARD ON THE MAJOR ALTERNATIVE PLANS FOR THE ADMINISTRATION OF UNEMPLOYMENT INSURANCE

(Presented to the Committee on Economic Security, Nov. 9, 1934)

I. Three major alternative plans for the administration of unemployment insurance are worthy of consideration:

(1) *An exclusively Federal system.*—Under such a system the Federal Government would levy a tax on employers and possibly also on employees, the proceeds of which would be appropriated for unemployment insurance purposes. In this act it would set up a complete system for the administration of unemployment insurance specifying all conditions for benefits. The Federal Government would directly administer these benefits through the Employment Service and Federal record offices, which would probably be set up on a regional basis.

(2) *A cooperative Federal-State system on the subsidy plan.*—Under such a system the Federal Government would, likewise, levy and collect a pay-roll tax on employers and possibly also on employees. It would provide further for subsidies to States which enact unemployment insurance laws satisfying standards specified in the Federal act. These subsidies would be a stated percentage of the tax actually collected from the respective States, which would be set up as a credit in the Federal Reserve banks to the account of the State. A specified percentage (say, 20 percent) might be appropriated to the supervisory Federal department and used to finance the Employment Service, to create a reinsurance fund and/or a fund for payment of benefits to employees who lose their jobs soon after they have migrated into a new State after still having unused credits in another State. Under this system the States would likewise have to pass unemployment insurance laws which would have to satisfy the standards prescribed by Federal law, but might vary in other respects from the laws of other States. All funds would be held at all times by the Federal Government but the benefits would be administered by the States, presumably through the employment offices and central record offices.

(3) *A cooperative Federal-State system on the Wagner-Lewis principle.*—Under this system the Federal Government would impose an excise tax on employers against which there would be allowed as a credit (up to the full amount of the tax or any stated percentage thereof) the amounts paid by such employers into unemployment insurance or reserve funds established pursuant to State laws meeting standards prescribed in the Federal law. The cooperating States would collect the contributions from employers (and, if they so determined also from

employees) and deposit these in the Federal Reserve banks to be held to their credit and to be invested and liquidated under regulations to be made by the Federal Reserve Board. Under this plan, as well as under the subsidy plan, a percentage of the amounts collected by the States might be withheld by the Federal Government to be used as a reinsurance fund. The administration of benefits under this plan would be a State responsibility, but could be controlled to some (probably a limited) extent by Federal legislation.

II. Which of these three plans should be adopted should be decided primarily on practical and fundamental policy considerations, rather than on the issue of constitutionality. All three of these proposals are new and some arguments can be made both in favor and opposed to the constitutionality of each of them. What the Supreme Court might hold is largely conjecture and is likely to depend upon the detailed development of these respective plans. Among the people consulted there seems to be a quite general impression that the Federal-State subsidy plan is the least likely to be overthrown on constitutional grounds, but there are some uncertainties even as to this plan, depending upon how it is worked out in detail.

Fundamental in a decision between these plans is the question of the desirable extent of national control in this field. The exclusively national system would insure uniformity throughout the country, not only with regard to contributions but also benefits. It would ignore State lines and, thus, make it a relatively simple matter to protect the benefit rights of employees when they move from State to State. It would also make possible a pooled fund for the entire country and thereby automatically meet the problem presented by unusual unemployment in particular industries and States, without necessity for any reinsurance fund. It would also have the advantage of whatever degree of increased efficiency there may be in Federal as compared with State administration. It would be put into operation more quickly than any Federal-State plan and would come into effect at one and the same time throughout the entire country.

The major considerations on the other side concern the same fundamental question of the desirable extent of national control. An exclusively national system would necessitate decisions at the very outset on all points which could not be left to administrative discretion, such as employee contributions, industrial and plant funds, incentives to regularization, etc. Even among the people who strongly believe in unemployment insurance and who have given the most thought to this subject there are wide differences of opinion on many of the most fundamental questions arising in the preparation of an actual bill. Under a national system no experimentation on a relatively small scale would be possible and mistakes made initially would have much more serious consequences than under State system. Moreover, "all the eggs would be in one basket", with the result that if the national law should be held unconstitutional, there would be no State unemployment insurance laws which remained intact.

III. As between a Federal-State system on a subsidy plan and a Federal-State system along the lines of the Wagner-Lewis bill, the only absolutely necessary difference is that under the former all taxes (contributions) levied on industry would be collected by the Federal Government, while under the latter the contributions under the State unemployment insurance laws would be collected by the States. In practice, however, it seems almost certain that a greater degree of national control will be developed under the former than in the latter system.

The subsidy system provides a simpler method for the collection of contributions (pay-roll taxes) than the Wagner-Lewis device. It would have at least some tendency toward higher standards of administration—a most important matter. It probably would facilitate the setting up of reinsurance and transfer funds. From the point of view of expediency it has the advantage of being a brand-new proposal. Clearly it is superior to the Wagner-Lewis plan if extensive national control is desired at this time in unemployment insurance.

The Wagner-Lewis plan has the advantage over the subsidy plan that it will make it unnecessary to reach decisions under the Federal act on the most controversial questions in connection with unemployment insurance: Whether plant funds shall be permitted and whether employees shall be required to contribute. It may be that these questions could be left to the decisions of the States even under the subsidy plan but certainly not as easily as under the Wagner-Lewis device. Another important consideration is that under this plan there would be no pressure on Congress to use sources of revenue other than contributions for unemployment-insurance purposes, which is likely to become very strong under both the straight national and (Federal-State) subsidy plans. Finally, under the Wagner-Lewis bill, many States would doubtless pass unemployment insurance laws before the Federal tax became effective and could be litigated. In the event

that the Federal law should then be held unconstitutional, the State laws would continue to operate. Under the subsidy plan, in contrast, while the States would also be required to pass legislation, their laws would include no revenue-raising features, so that they would become inoperative if the Federal act should for any reason be held invalid or if the Federal appropriation is discontinued.

IV. After extended consideration of these three major alternative plans for the administration of unemployment insurance, the executive committee board finds that it is divided regarding which of these systems is to be preferred. The unemployment insurance committee of the technical board, as well as the executive director, believe that the exclusively national system should be definitely rejected. Many of the members of the staff, on the other hand, favor a national system.

The unemployment insurance committee also holds the view that of the two alternative cooperative Federal-State systems the Wagner-Lewis plan is distinctly preferable to the subsidy system.

In view of the differences of opinion on the respective merits of the three major alternative systems of administration, a decision between these systems must be made by the Committee on Economic Security. An early decision is not only vital to the work of the staff but to the entire development of unemployment insurance legislation in this country. At this time unemployment insurance study commissions are functioning in nine states, charged with the duty of making recommendations on this subject to the incoming legislatures. In several other States unemployment insurance legislation was pledged in the platform of the party which won the recent election or has been promised by the successful candidate for Governor. And not only in these but many other States there is wide-spread interest in unemployment insurance legislation with good prospects for its enactment in the coming winter, when 43 State legislatures will be in session. In all States, however, there is at present great uncertainty as to what the Federal Government is going to do, which is holding up all plans for State legislation.

Whether the Committee on Economic Security believes that an exclusively national system is or is not desirable, announcement of its decision upon this point at the forthcoming national conference on economic security would be most appropriate and valuable. The States would then know whether they are to be in the picture and could make their plans accordingly. In view of the near approach of the sessions of Congress and the State legislatures, an early decision on the issue of an exclusively national versus a cooperative State-Federal system would seem imperative.

A decision regarding the type of a cooperative Federal-State system which is desired (if such a system is preferred over an exclusively national system) is less urgent. If the committee, however, has decided preferences as between the subsidy plan and the Wagner-Lewis plan, it will facilitate the work of the staff and the technical board if this question also is promptly decided.

Submitted in behalf of the executive committee.

EDWIN E. WITTE, *Executive Director.*

SUPPLEMENTARY STATEMENT OF THE ADVISORY COUNCIL ON ECONOMIC SECURITY

To the Honorable FRANCES PERKINS,

*Chairman President's Committee on Economic Security,
Washington, D. C.*

We voted with the majority of the Advisory Council for a 3-percent pay-roll tax on employers; but we regard the revenue therefrom to be thoroughly inadequate as the foundation for benefits under the proposed Federal-State system of unemployment compensation. The actuaries of your Committee on Economic Security set before us the standards which they estimated as possible under such a 3-percent pay-roll tax. These are: First, after a worker is laid off, a 4 weeks, waiting period without benefit; then 15 weeks' benefits at 50 percent of normal wages (but in no case more than \$15); thereafter, except for long-time employees, nothing. Our vote should not be regarded as recommending such meagre coverage.

Rather, to increase the benefits, a considerable minority of the Advisory Council voted for a 5-percent tax on pay rolls; and a larger group tied the vote at 4 percent. As no benefits, under the proposed scheme, are to accrue until 3 years from now, they do not, of course, bear on the present mass unemployment. Our contention is that these standards fall short of any reasonable protection of un-

employed wage-earners in normal times, which is the limited objective of the proposed legislation.

The simplest test of coverage is the length of time for which benefits run, compared with the length of time experience shows men and women seek work before they can find it. At our request the technical staff of the Committee on Economic Security drew up calculations on this point from duration tables for 1922-30 prepared by the Committee's actuaries as a basis for projecting a system of unemployment compensation. These went to show that even in "good times" 54 percent of the unemployed wage-earners would fall outside the benefit period provided by a 3-percent base; 26 percent because they would fall in the prolonged waiting period, and 28 percent because they would have been out of a job for more than 4 months. In "bad times" the proportion who would fall outside the benefit period would be as high as 80 percent; in average times, 60 percent.

These statistical estimates, with their known limitations, were brought down to everyday realities, when the results of a field survey were cited, carried out in 1928 for the Senate Committee on Labor, Senator Couzens, chairman. This was a unique case study of 750 workers let go the 12 months preceding from 20 groups of industries in Chicago, Baltimore, and Worcester, Mass. It was directed by Dr. Isador Lubin, now Chief of the Bureau of Labor Statistics of the United States Department of Labor. With prosperity at its height, 42 percent of those who had secured jobs, and 55 percent of those who hadn't at the time they were interviewed, were unemployed for more than 4 months.

From another angle, the adequacy of the majority proposal was challenged, by offering tables prepared by the technical staff of the Committee on Economic Security. These compared the protection proposed under a 3-percent plan for the United States and that afforded throughout recent years by the standard benefits of the British system of unemployment insurance which has a combined 4½-percent base. Earning \$2 a day or its equivalent, either American or British worker would lose \$208 in wages if out of work for 4 months. It was pointed out that, if eligible, under the proposed Federal act the American worker would be assured a total of \$80 in unemployment compensation. The British worker, if single, would fare about as well; but if married, with 3 children, the family man would get \$130 in the same period; and if allowance were made for relative purchasing power, he would get \$156 against the American \$80. In the higher wage brackets, the American would come off favorable with the British as long as his compensation lasts, but in any case that is only part of the picture. The general run of American benefits would be cut short at 14 or 15 weeks, while the British standard benefits begin after 1 week's waiting period (against the 4 proposed for the U. S. A.) and run up to 26 weeks (against 15).

An employee with a long work record in America might qualify for half a year; in England, for a full year.

We contend that if the British people could swing such a coverage throughout the post-war depression, and are now liberalizing it, the people of the United States might at least do as well in setting up a system of security in this period of anticipated recovery, when no benefits are to accrue to unemployed workers until 1938—3 years off.

According to actuarial estimates submitted by the technical-staff of the Committee on Economic Security, if 1 percent were added to the 3 percent proposed, it would double the length of the benefits. Most of us who advocated longer benefits were for finding this 1 percent by bringing the pay roll tax on employers up to 4 percent (in the original Wagner-Lewis bill it was 5 percent). Some of us were for calling on the Federal Government to contribute it. All of us broke with the proposition that a worker, who qualifies under our new system and whose savings are exhausted, shall find himself thrown upon public relief at the end of 14 or 15 weeks of unemployment compensation.

We feel so strongly that such benefits cover too short a period that, while we signed the report as a whole, we wish to make our position altogether clear to the Committee on Economic Security. Moreover we believe it a disservice to the President for us not to point out their inadequacy.

PAUL KELLOGG.
FRANK P. GRAHAM.¹
WILLIAM GREEN.¹
HELEN HALL.¹
HENRY OHL, Jr.¹

¹ Signatures received by wire and mail.

TABLE I.—*Calculations as to percent of unemployed falling within 4 weeks' waiting period and 15 weeks' benefit period*

[The duration tables—with their known limitations—yet show some data]

DISTRIBUTION OF THE UNEMPLOYED, 1922-30

	3-7 per- cent un- employ- ment	7-11 per- cent un- employ- ment	11-20 per- cent un- employ- ment	20-30 per- cent un- employ- ment	30-43 per- cent un- employ- ment	Comps.
	A	B	C	D	E	F
	Percent	Percent	Percent	Percent	Percent	Percent
Under 4 weeks.....	27	26	21	21	17	21
4 to 19 weeks.....	45	46	47	34	22	40
Over 19 weeks.....	28	28	32	45	61	39

In "good times" (A and B) roughly half of unemployed within benefit period; one-fourth within waiting period; one-fourth beyond benefit period.

In "bad times" (E) 22 percent within benefit period; 17 percent within waiting period; 61 percent beyond benefit period.

In all studies 40 percent within benefit period; 20 percent within waiting period; 40 percent beyond benefit period.

Corrections for cumulative periods for each individual would probably reduce percentage in waiting period, increase percentage beyond benefits, and not much change in benefit percentage.

Source: Supplied by members of the Technical Staff, Committee on Economic Security.

TABLE II.—*Unemployment history of 754 discharged workers*

[From the Absorption of the Unemployed by American Industry, by Isador Lubin; Brookings Institution Pamphlet Series, Vol. 1, No. 3, p. 5; published July 1, 1929]

1. THOSE WHO FOUND JOBS

Length of time unemployed	Classified by period of unemployment		Cumulated	
	Number	Percent- age	Number	Percent- age
Under 1 month.....	47	11.5	47	11.5
1 to 2 months.....	66	16.1	113	27.6
2 to 3 months.....	66	16.1	179	43.7
3 to 4 months.....	60	14.6	239	58.3
4 to 5 months.....	43	10.5	282	68.8
5 to 6 months.....	30	7.3	312	76.1
6 to 7 months.....	28	6.9	340	83.0
7 to 8 months.....	23	5.6	363	88.6
8 to 9 months.....	18	4.4	381	93.0
9 to 10 months.....	10	2.4	391	95.4
10 to 11 months.....	7	1.7	398	97.1
11 to 12 months.....	3	.7	401	97.8
12 months or over.....	6	1.5	407	99.3
Not stated.....	3	.7	410	100.0
Total.....	410	100.0		

2. THOSE STILL UNEMPLOYED WHEN INTERVIEWED

Under 1 month.....	43	12.5	43	12.5
1 to 2 months.....	40	11.6	83	24.1
2 to 3 months.....	37	10.8	120	34.9
3 to 4 months.....	34	9.9	154	44.8
4 to 5 months.....	26	7.6	180	52.4
5 to 6 months.....	22	6.4	202	58.8
6 to 7 months.....	27	7.9	229	66.7
7 to 8 months.....	18	5.2	247	71.9
8 to 9 months.....	31	9.0	278	80.9
9 to 10 months.....	19	5.5	297	86.4
10 to 11 months.....	7	2.0	304	88.4
11 to 12 months.....	8	2.3	312	90.7
12 months or over.....	29	8.4	341	99.1
Not stated.....	3	.9	344	100.0
Total.....	344	100.0		

TABLE III.—Comparisons at \$2 and \$4 wage levels of benefits under standard British unemployment insurance and the proposed American scheme, based on 3-percent pay-roll tax, 4 weeks waiting period and 14 weeks benefit period

[Drawn from tables prepared by the technical staff of the Committee on Economic Security. All benefits stated in dollars]

1. MARRIED MAN WITH THREE CHILDREN

A. Assuming that £1 equals \$5

Unemployed	British			Percent net loss	Proposed American			Per- cent
	Wages lost	Bene- fits	Net loss		Wages lost	Bene- fits	Net loss	
\$2 wage per day:								
1 month.....	\$52	\$26.67	\$25.33	49	\$52	\$2	\$50	96
4 months.....	208	130.67	77.33	37	208	80	128	62
6 months.....	312	200.00	112.00	36	312	84	228	73
\$4 wage per day:								
1 month.....	104	26.67	77.33	74	104	4	100	96
4 months.....	416	130.67	285.33	69	416	160	256	62
6 months.....	624	200.00	424.00	68	624	168	456	73

2. SINGLE MAN

\$2 wage per day:								
1 month.....	\$52	\$14.17	\$37.83	73	\$52	\$2	\$50	96
4 months.....	208	69.43	138.57	67	208	80	128	62
6 months.....	312	106.27	205.73	66	312	84	228	73
\$4 wage per day:								
1 month.....	104	14.17	89.83	86	104	4	100	96
4 months.....	416	69.43	346.57	83	416	160	256	62
6 months.....	624	106.27	517.73	83	624	168	456	73

1. MARRIED MAN WITH THREE CHILDREN

B. Assuming the £ to be equivalent to \$6 on basis of living costs, using wholesale price indices

\$2 wage per day:								
1 month.....	\$52	\$32.00	\$20.00	38	\$52	\$2	\$50	96
4 months.....	208	156.80	51.20	25	208	80	128	62
6 months.....	312	240.00	72.00	23	312	84	228	73
\$4 wage per day:								
1 month.....	104	32.00	72.00	69	104	4	100	96
4 months.....	416	156.80	259.20	62	416	160	256	62
6 months.....	624	240.00	384.00	62	624	168	456	73

2. SINGLE MAN

\$2 wage per day:								
1 month.....	\$52	\$17.00	\$35.00	67	\$52	\$2	\$50	96
4 months.....	208	83.30	124.70	60	208	80	128	62
6 months.....	312	127.50	184.50	59	312	84	228	73
\$4 wage per day:								
1 month.....	104	17.00	87.00	84	104	4	100	96
4 months.....	416	83.30	332.70	80	416	160	256	62
6 months.....	624	127.50	496.50	80	624	168	456	73

**ACTUARIAL ESTIMATES OF THE PERIODS FOR WHICH UNEMPLOYMENT INSURANCE
BENEFITS CAN BE PAID AT VARYING CONTRIBUTION RATES**

[From p. 16, Memorandum 4176, "Major Issues in Unemployment Compensation", by Edwin E. Witte, Executive Director, Committee on Economic Security]

All estimates are based on the assumption that benefits will be one-half the weekly wage but not exceeding \$25 per week and that the unemployment insurance fund should be entirely self-sustaining. All calculations, further, are based on a Nation-wide insurance system, with 1 year of contribution before benefits become payable. The estimates on the left-hand side of the table given below are based on the experience of 1922-30 and those on the right-hand side on the experience of 1922-33, the assumption being that by the end of these periods the entire fund would be exhausted.

TABLE IV.—Varying periods of benefit based upon using 1 additional year of contribution

Experience 1922-30		Experience 1922-33	
Waiting period	Benefit period, weeks,	Contribution rate, percent	Benefit period, weeks
4 weeks.....	15	3	11
	30	4	16
	52	4½	19
3 weeks.....	52	5	23
	13	3	10
	23	4	15
2 weeks.....	37	4½	18
	52	5	21
	12	3	9
	19	4	14
	28	4½	16
	43	5	19

**THE GRANTS-IN-AID TYPE OF FEDERAL-STATE COOPERATIVE PLAN FOR
UNEMPLOYMENT COMPENSATION**

By President Frank P. Graham, chairman, Advisory Council

(Not an analysis or comparison, but a summary of some of the larger aspects of the grant-in-aid plan supported by the majority as interpreted by one of them.)

The majority of the Advisory Council on Economic Security by a vote of 9 to 7 favor the grant-in-aid type of Federal-State cooperative plan for unemployment compensation. A number of the majority are for an outright national plan. All would strongly favor the Wagner-Lewis type as against any less meritorious plan. All would present a united front against those who would oppose or delay legislation this winter. Yet the majority are clearly for the grant-in-aid plan.

The fundamental position upheld by the majority is that the grants-in-aid plan is more adaptable to our economic life and to the needs of both industry and the workers. American economic society is national in nature. It is not organized according to geographical or political subdivisions. Industries reach across States, sections, and even the continent. In this economic society labor is mobile. Workers move from industry to industry, from State to State, from an industry in one State to the same industry in another State, and from an industry in one State to a different industry in another State. In a society of fluid capital, migratory industries, shifting labor markets, seasonal, technological, and cyclical forces, unemployment is a social hazard of our dynamic industrial life.

Unemployment is, thus, a problem of industry and the Nation. Its economic and other causes and its social and other incidence involve our whole industrial order. Any Federal-State cooperative plan for unemployment compensation should, therefore, recognize as far as practicable and wise, our national economic structure. Cooperative Federal-State legislation and administration should recognize the spheres and values of the Federal and State governments, but the States should not be required to attempt to meet situations and serve purposes not in accordance with their situation and nature.

The purpose of the Federal-State cooperation is to stimulate a more intelligent stabilization of industry and to provide more security for the workers. The Wagner-Lewis plan and the grant-in-aid plan are both Federal-State plans directed toward these two ends, with more emphasis on the State approach in the former and with more emphasis on the national nature of unemployment in the latter. The majority hold that the grant-in-aid plan can more adequately meet the needs of American industries and workers with their unemployment problems created by (1) national and interstate industries, (2) mobile labor, interstate transfers, and employment records, (3) the need for Federal reinsurance, (4) for national minimum standards. Under the grant-in-aid plan the Federal-State administration can more effectively guard the integrity of the fund, the stabilization of industry, and the best interests of the workers as parts of our national dynamic society.

The collection of the tax by the Federal Government required by the grant-in-aid plan affords a clearer basis for the deposit of the money in the Federal Reserve banks. There can, under this plan, be no basis for pressure on Congress to allow the money to be deposited in local (and in some States political) banks. The value of the nationally wise use of the funds by the Federal Reserve as an aid to stabilization cannot then be jeopardized by either financial short-circuits or political misuses.

Furthermore the grant-in-aid would be separate from the tax law. Congress has power to levy this geographically uniform excise tax on pay rolls. Congress also has power to appropriate money as grants-in-aid to States for a public purpose on terms laid down by Congress. Unemployment compensation and the promotion of industrial stabilization and social security constitute a clear public purpose. In the Wagner-Lewis plan the tax and the appropriation are joined in the same act. Under the strain of carrying sufficient national minimum standards and other regulations required by the interstate and national nature of industry and unemployment, such a joint act more seriously raises the question of constitutionality.

The grant-in-aid plan appears not only the stronger constitutionally, but is also a variation and development of Federal grants-in-aid which are an historically established part of our Federal-State structure. This plan also more nearly fits in with some other proposed plans to promote insurance against destitution and could more readily help to unify the collection of the funds involved in more comprehensive program of social security.

For the purpose of securing early legislation by the States for this progress, Congress could fix a time limit as a condition for a valid acceptance by the States. Moreover, with the interests of industry and 16 million workers involved it is inconceivable that Congress would ever fail to continue the appropriations.

The grant-in-aid plan, it seems to us, can provide for Federal-State cooperation, is yet more adaptable. The needs of industry and the workers in our national economic society can secure and maintain Nation-wide minimum standards without as validly raising the question of constitutionality, and provides for experimentation in the interests of stabilization. It leaves open to the States experimentation along the lines of pooled insurance, plant accounts, or a combination of the two. The plan can also provide a clearer basis for experimentation along interstate and even national lines. On the basis of all these experiments, we may develop toward the best plan whether mainly State, mainly Federal, or wholly national.

Finally, we believe that the grant-in-aid plan can better provide for essential minimum standards in the interests of the fund, the employers, and the employees. Minimum standards for all the States in such a Federal-cooperative plan would furnish the bottom below which there must be no chiseling or exploitation and above which there can be wide experimentation by the States and industries for the purpose of stabilization, increased employment, and more security for the workers of America.

The first witness this morning is Miss Katharine F. Lenroot, Chief of the Children's Bureau, United States Department of Labor.

Just go ahead in your own way, Miss Lenroot; tell us what position you hold and what position you have held. Give us the background for the record, and then proceed in your own way.

STATEMENT OF MISS KATHARINE F. LENROOT, CHIEF OF THE
CHILDREN'S BUREAU, UNITED STATES DEPARTMENT OF
LABOR

Miss LENROOT. I was appointed Chief of the Children's Bureau, United States Department of Labor, on December 1, of this year. I had been assistant chief of the Bureau since 1922. My total service with the Bureau is 20 years.

I am interested especially, Mr. Chairman and members of the committee, in the sections of this bill relating to the health and welfare of children, although of course all provisions that will tend to strengthen the economic position of the family are essential measures for the protection of the children.

The sections of this bill which relate especially to children are title II, providing for aid to dependent children in their own homes where there is no adult in the home, other than one needed to care for the family, who is able to support the family, and title VII, which provides for Federal cooperation with the States, in strengthening the State and local services for maternal and child health, in the care of crippled children, and in aid to State and local child-welfare services.

It seems to me that these sections of the bill are very logically a part of the general security program covered by this bill. In the first place, they are closely related to the unemployment problem and the measures which are suggested for dealing with this problem. We all know that when we try to provide for the unemployed through work programs or through reabsorption into private industry, there are certain families whose needs cannot be met by such an undertaking because there is no person in the family able to work and support the family. It is estimated by the Federal Emergency Relief Administration that over 40 percent of all the people on emergency relief in the United States are children under the age of 16 years, and that there are at least 358,000 families with 719,000 children under the age of 16 years where there is no father in the home—where the mother is a widow or separated or divorced from her husband. In contrast to this figure, I estimate that 109,000 families and approximately 280,000 children in these families are receiving aid under the State mothers' pension laws. These laws were enacted, the first one in 1911, as an expression of the interest of the State in conserving home life for dependent children who had been deprived of the care of their fathers.

The legislation was popular, and now 45 States, the District of Columbia, Alaska, Hawaii, and Puerto Rico have such laws on their statute books. However, most of the burden of financial support of this system is carried by the local units of government. Approximately one-third or a little more of the States make some financial contribution on a State basis to these mothers' aid systems, but out of a total estimated expenditure of \$37,000,000 a year, all but about \$6,000,000 comes from local funds.

The CHAIRMAN. Many of the States would have to revise their laws, wouldn't they, to come under this provision, if they met the standards laid down by the Federal Government.

Miss LENROOT. Yes, Mr. Chairman. The laws are limited in many respects as to residence, as to eligibility for aid, and as to standards of relief. Many of them fix a low amount of money in the statute which would not be adequate under the definition of this law, and the States

would undoubtedly have to revise their legislation. I estimate that there are about 21 States with fairly broad coverage as to eligibility. Only 10 of them are as broad, however, as the provisions of this bill.

The CHAIRMAN. Only 10 are as broad as the provisions of the bill?

Miss LENROOT. Yes, sir.

The CHAIRMAN. What States are those, if you can put it in the record?

Miss LENROOT. Colorado, Indiana, Kentucky, Maine, Massachusetts, Mississippi, Nevada, New Hampshire, Rhode Island, Washington and the District of Columbia. Even before the depression, there were only about half of the local jurisdictions in the country authorized by law to grant this form of aid, that were actually doing so, and on account of financial difficulties, a number of local jurisdictions which formerly granted aid have ceased to do so. Even where State aid is being granted, the amount of money provided is inadequate to care for the total number of families that would be eligible under the law, so that we have in many places, large waiting lists, and many families cared for through other relief that ought to be absorbed through the mothers' aid system.

The CHAIRMAN. What do you estimate the States ought to put up if the Federal Government appropriates this \$25,000,000?

Miss LENROOT. Well, Senator, if we look at this title of the bill as providing a gradual method of transition into a form of aid to children that affords relative security, if you take the widows' families and other families deprived of a father's support and assure them a certain contribution based on need during the period of the child's dependency, just as you take the aged and assure them of a certain continuing monthly contribution, we estimated that the total amount needed to care for this group of families on a conservative basis in this country today is about \$120,000,000 a year. The amount now going into this form of aid from funds approved especially for that purpose is \$37,000,000 a year. If the States could bring up their appropriations, by using some of the money that they are now spending for emergency relief and earmarking it for those purposes, to an amount of at least \$50,000,000 of combined State and local funds, with the added \$25,000,000 provided by this bill, we would have a total of \$75,000,000, which would not be adequate in comparison to the total need but would afford a measurable improvement in the situation.

The ratio of the contribution contemplated here, you see, is about one-third Federal and two-thirds State and local.

Shall I pass on to title VII, Mr. Chairman, or would you prefer to question me further as to title II?

The CHAIRMAN. I will tell you what is running in the minds of some of us from the questions that have been asked, so that you may understand our difficulty. That is, that the provision in this title with reference to dependent children, is not so dissimilar from the provisions that are written with reference to old-age pensions, so far as the Federal Government approving the plans, and so on. That is true, isn't it?

Miss LENROOT. Yes; they are similar.

The CHAIRMAN. What if in the opinion of Congress, the Federal Government ought to make some reasonable appropriation, say in the amount that you suggested here, \$25,000,000 for dependent children, but would feel that it should be left to the States entirely without making it mandatory upon some administrator here, or board,

with reference to the laws passed by the State, but would make the contribution to the States, make suggestions to the States, and not make it mandatory; what, in your opinion, would be the reaction to that?

Miss LENROOT. I believe theoretically and practically, Senator, in an approach to the States which is a cooperative approach. In other words, I think that the Federal Government and the States entering into any such partnership as is contemplated by a grant-in-aid system should develop standards as the need develops, through conferences, the stimulus that comes from exchange of information between States, making available to the States the best experience. On the other hand, I do believe that there are certain minimum standards that ought to be insisted upon by the Federal Government if the money is made available to the States, for the reason that we have such a wide variation in the effectiveness of the State and local administrations of mothers' aid in this country, because the mothers' aid program has been, as I have pointed out, largely a local development with very little going in, in the way of service or of equalization funds, from the State agencies.

It would be the purpose of this bill, I should think, to improve and develop the services that would come from the States to the local communities. We now have very wide variations in the amounts of aid, as is shown in the three tables that I should like to insert in the record.

The CHAIRMAN. Yes, we will be glad to have them.

TABLE I.—*Estimated number of families and children receiving mothers' aid and estimated expenditures for this purpose*

[Based on figures available Nov. 15, 1934]

State	Number of families receiving mothers' aid	Number of children benefiting from mothers' aid	Estimated present annual expenditures for mothers' aid, local and State		
			Total	Local	State
Total.....	109,036	280,565	¹ \$37,487,479	¹ \$31,621,957	¹ \$5,865,522
Alabama ²					
Arizona.....	106	379	20,940		20,940
Arkansas ²					
California.....	7,056	17,642	2,133,999	224,252	1,909,747
Colorado.....	552	⁴ 1,435	149,688	149,688	
Connecticut.....	1,271	3,276	734,627	489,752	244,875
Delaware.....	348	855	93,000	46,500	46,500
District of Columbia.....	209	720	143,997	143,997	
Florida.....	2,564	6,164	222,286	222,286	
Georgia ²					
Idaho ²	230	619	36,315	36,315	
Illinois.....	6,217	14,802	1,837,012	1,533,217	303,795
Indiana.....	1,332	3,856	352,224	352,224	
Iowa.....	3,627	9,170	719,772	719,772	
Kansas.....	763	⁴ 1,997	75,721	75,721	
Kentucky.....	137	⁴ 356	62,889	62,889	
Louisiana.....	88	⁴ 229	9,312	9,312	
Maine.....	817	⁴ 2,124	310,000	155,000	155,000
Maryland.....	267	⁴ 694	117,459	117,459	
Massachusetts.....	3,939	11,817	2,450,000	1,400,000	1,050,000
Michigan.....	6,938	⁴ 18,039	2,448,962	2,448,962	
Minnesota.....	3,597	9,152	1,138,176	1,138,176	
Mississippi ²					
Missouri.....	336	⁴ 874	93,440	93,440	
Montana ²	839	1,969	213,623	213,623	
Nebraska.....	1,651	⁴ 4,300	272,036	272,036	
Nevada ²	200	⁴ 520	44,035	44,035	

¹ Includes revised figures for Illinois.

² No mothers' aid law.

³ Mothers' aid discontinued.

⁴ Estimated on basis of 2.6 children per family, the average rate for 20 States reporting in December 1933.

⁵ Estimated on basis of trends in comparable States from which reports have been received.

TABLE I.—*Estimated number of families and children receiving mothers' aid and estimated expenditures for this purpose—Continued*

State	Number of families receiving mothers' aid	Number of children benefiting from mothers' aid	Estimated present annual expenditures for mothers' aid, local and State		
			Total	Local	State
New Hampshire.....	260	761	\$82, 440		\$82, 440
New Jersey.....	7, 711	18, 789	2, 445, 564	\$2, 445, 564	
New Mexico ⁶					
New York.....	23, 493	56, 524	11, 731, 176	11, 731, 176	
North Carolina.....	314	947	58, 706	29, 353	29, 353
North Dakota ⁴	978	2, 644	238, 314	238, 314	
Ohio.....	8, 923	24, 470	2, 116, 908	2, 116, 908	
Oklahoma ⁵	1, 896	5, 166	123, 314	123, 314	
Oregon.....	1, 040	2, 259	247, 140	247, 140	
Pennsylvania.....	7, 700	22, 587	3, 197, 640	1, 598, 820	1, 598, 820
Rhode Island.....	513	1, 666	267, 252	133, 626	133, 626
South Carolina ²					
South Dakota ⁵	1, 290	3, 324	285, 936	285, 936	
Tennessee.....	241	4 627	71, 328	71, 328	
Texas.....	332	4 863	43, 987	43, 987	
Utah.....	622	4 1, 617	78, 651	78, 651	
Vermont.....	206	461	46, 976	23, 488	23, 488
Virginia.....	136	545	33, 876	16, 938	16, 938
Washington ⁴	3, 013	4 7, 834	519, 538	519, 538	
West Virginia.....	108	4 281	16, 086	16, 086	
Wisconsin.....	7, 173	17, 932	2, 180, 790	1, 930, 790	250, 000
Wyoming ⁵	95	279	22, 294	22, 294	

⁴ Estimated on basis of trends in comparable States from which reports have been received.⁶ Law not in operation.

MISS LENROOT. One showing the range in the percentage of the counties granting aid, from a very small percentage—3 or 4 percent—to complete coverage, and the per capita expenditures for aid range from about one-half of 1 cent per capita of the population to about 93 cents.

TABLE II.—*Extent to which mothers' aid is provided: Per capita expenditures and percentages of counties granting aid by States*

State	Percentage of counties granting aid	Per-capita expenditures	State	Percentage of counties granting aid	Per-capita expenditures
Alabama.....	No mothers' aid law.		Missouri.....	10 ³	\$0. 03
Alaska.....	(¹)	(¹)	Montana.....	82 ³	. 46
Arizona.....	State-wide	\$0. 05	Nebraska.....	86	. 20
Arkansas.....	Mothers' aid discontinued.		Nevada.....	71	. 41
California.....	State-wide	. 35	New Hampshire.....	State-wide	. 18
Colorado.....	54	. 14	New Jersey.....	do	. 61
Connecticut.....	State-wide	. 46	New Mexico.....	Law not in operation.	
Delaware.....	do	. 39	New York.....	81	. 93
District of Columbia.....		. 30	North Carolina.....	74	. 02
Florida.....	67	. 15	North Dakota.....	77	. 39
Georgia.....	No mothers' aid law.		Ohio.....	96	. 31
Hawaii.....	(¹)	(¹)	Oklahoma.....	62 ³	. 05
Idaho.....	75	. 10	Oregon.....	69	. 26
Illinois.....	81	. 20	Pennsylvania.....	85	. 34
Indiana.....	75	. 11	Puerto Rico.....	Law not in operation.	
Iowa.....	98	. 29	Rhode Island.....	State-wide	. 39
Kansas.....	36	. 04	South Carolina.....	No mothers' aid law.	
Kentucky.....	(²)	. 02	South Dakota.....	78	. 47
Louisiana.....	5	. 004	Tennessee.....	4	. 03
Maine.....	State-wide	. 39	Texas.....	3	. 008
Maryland.....	33	. 07	Utah.....	48	. 15
Massachusetts.....	State-wide	. 58	Vermont.....	State-wide	. 13
Michigan.....	43	. 51	Virginia.....	44	. 01
Minnesota.....	91	. 44	Washington.....	92	. 36
Mississippi.....	Mothers' aid discontinued.		West Virginia.....	4	. 007
			Wisconsin.....	89	. 74
			Wyoming.....	43 ³	. 10

¹No report.² Less than 1 percent.³ Based on number of counties granting aid June 30, 1931.

The estimated average monthly amount per family in areas granting mother's aid ranges from a low figure of as little as \$7 or \$8 per month per family to a figure somewhat more adequate of, say \$40 a month per family.

TABLE III.—Estimated average monthly grant per family in areas granting mothers' aid, based on annual or monthly expenditures from mothers' aid grants during 1933 and 1934

	Average monthly grant		Average monthly grant
Alabama.....	(1)	Montana.....	24. 00
Alaska.....	N. R.	Nebraska.....	13. 62
Arizona.....	\$16. 46	Nevada.....	17. 98
Arkansas.....	(2)	New Hampshire.....	26. 42
California.....	26. 89	New Jersey.....	26. 43
Colorado.....	22. 60	New Mexico.....	(5)
Connecticut.....	44. 41	New York.....	42. 77
Delaware.....	22. 26	North Carolina.....	15. 93
District of Columbia.....	60. 14	North Dakota.....	22. 07
Florida.....	9. 76	Ohio.....	19. 77
Georgia.....	(1)	Oklahoma.....	³ 7. 29
Hawaii.....	N. R.	Oregon.....	19. 80
Idaho.....	18. 08	Pennsylvania.....	34. 61
Illinois.....	24. 62	Puerto Rico.....	N. R.
Indiana.....	22. 03	Rhode Island.....	47. 00
Iowa.....	17. 01	South Carolina.....	(1)
Kansas.....	³ 14. 05	South Dakota.....	³ 21. 78
Kentucky.....	⁴ 38. 26	Tennessee.....	⁶ 24. 91
Louisiana.....	8. 81	Texas.....	³ 12. 07
Maine.....	29. 60	Utah.....	10. 64
Maryland.....	36. 66	Vermont.....	17. 86
Massachusetts.....	51. 83	Virginia.....	20. 76
Michigan.....	28. 31	Washington.....	17. 35
Minnesota.....	26. 37	West Virginia.....	13. 20
Mississippi.....	(2)	Wisconsin.....	25. 82
Missouri.....	³ 26. 22	Wyoming.....	³ 22. 55

No mothers' aid law.

¹ Aid discontinued.

² Average grant in 1931.

³ Mothers' aid available only in Jefferson County

⁴ Law not in operation.

⁵ Mothers' aid available only in Knoxville and Memphis;

It is the general experience of those interested in State administration that if children in all parts of the State, the most needy areas as well as the most populous ones, are afforded the protection which they ought to receive as American citizens and as citizens of the State, there should be some way of seeing that this form of aid is spread through all the counties. That is one reason why one of these standards is that after June 30, 1936, the State must make this form of aid available in every political subdivision. That is one of the standards in this act which seems to be very reasonable.

Another suggestion is that there must be adequacy of aid, that is, the assistance must be at least great enough to provide, when added to the income of the family, a reasonable subsistence compatible with decency and health.

I think it would be a waste of Federal funds if we made available \$5 or \$6 or \$7 a month for a family.

The CHAIRMAN. Do I understand you to say then that if this principle cannot be put across, it would be better not to make the appropriations by the Federal Government for these purposes?

Miss LENROOT. No, sir; I think the Federal Government should make provision.

The CHAIRMAN. Even though the standards should not be set by the Administration as set out in the bill here?

Miss LENROOT. Perhaps I did not understand your question. I think some simple standards should be included.

The CHAIRMAN. And you are in favor of the principles laid down by this bill as therein stated?

Miss LENROOT. In general, yes.

The CHAIRMAN. What I am trying to get at is, if the majority of the opinion of Congress should be that the Federal Government should make reasonable appropriations to the States to help out this situation, but different from those who have provided this legislation, that they should be in a position to dictate the character of treatment given and aid administered to the dependent children, then what would be your position, whether it would be better to go ahead and make the allocations, if you could not get the full loaf, to take part of the loaf, that would be your idea?

Miss LENROOT. I want to say in the first place that I am speaking only for myself. Of course the administration of this bill is placed in the Federal Emergency Relief Administration, at least temporarily, and I do not feel that I ought to speak for the Administration or for the Cabinet committee or anything of that kind as to what modifications might be made in the bill. I think really the Federal Emergency Relief Administration should be asked to speak to that point.

Speaking entirely personally, I feel that it would be a grave mistake to make a Federal appropriation without any power vested in the Federal Government to insure certain minimum standards of efficiency. I am not sure of just the language that would have to be put in, but I think there ought to be some indication; it might be somewhat more general in character.

The CHAIRMAN. Very well; you may proceed.

Senator COSTIGAN. While you are reluctant to suggest changes in the bill, I should like your opinion as to two suggestions which have reached me. They come from Prof. S. P. Breckinridge of the school of social-service administration of the University of Chicago, a noted educator. She urges that mothers' pensions should be assigned to the Children's Bureau, and the old-age pensions to the Bureau of Labor Statistics. Laying aside your own preference not to discuss the provisions of the bill, are you prepared to say how these sections of the proposed law would work in connection with activities of the respective branches of the Labor Department?

Miss LENROOT. I should not like to answer for old-age pensions, Senator Costigan.

Senator COSTIGAN. Is the Children's Bureau in a position to handle such pensions?

Miss LENROOT. The Children's Bureau has been for many years interested in the subject of mothers' pensions and has been promoting the development of mothers' pensions throughout the country through bulletins on the subject, through sending members of the staff into the field to consult with administrators, through institutes for mothers' pension administration, and in other ways. Of course we do not have the administrative staff now that would be necessary

to administer this bill. There would have to be a division or section of the Children's Bureau created to take care of the work involved in the administration of a cooperative act of this kind.

Senator COSTIGAN. What is the reason for Miss Breckinridge's recommendation? Ordinarily people would assume that a children's bureau should not deal with mothers' pensions.

Miss LENROOT. I have not talked with Miss Breckinridge, about it, Senator.

Senator COSTIGAN. All right, Mr. Chairman.

The CHAIRMAN. Proceed, Miss Lenroot.

Miss LENROOT. With reference to title VII, which has the three-fold provision of aid to maternal and child-health services, aid to crippled children, and aid to child-welfare services, I should like first to discuss section 703, which is at page 56, because it is somewhat related to the care of dependent children in their own homes, which I have already discussed under the heading of title II.

This section of the bill provides for an appropriation of \$1,500,000 to be available for cooperation with the State agencies of public welfare in extending and strengthening, especially in the rural areas and those suffering from severe distress, the welfare services for the protection and care of homeless, dependent, and neglected children, and children in danger of becoming delinquent. The amounts are to be apportioned, \$1,000,000 among the States in the ratio of \$10,000 to each State, and the balance, or \$480,000—if we include the 3 Territories, the District of Columbia, and the 48 States, that would leave \$480,000—to be apportioned on the basis of population. I have a table here showing the amount of money to which each State would be entitled.

TABLE IV.—Apportionment under title VII, section 703, aid to child welfare services

State	Total apportionment— \$480,000 plus \$10,000 allotment	Apportionment of \$480,000 distributed on basis of population	State	Total apportionment— \$480,000 plus \$10,000 allotment	Apportionment of \$480,000 distributed on basis of population
Total.....	\$1,000,000.00	\$480,000.00	Missouri.....	\$23,965.08	\$13,965.08
Alabama.....	20,182.24	10,182.24	Montana.....	12,068.60	2,068.60
Alaska.....	10,228.09	228.09	Nebraska.....	15,302.13	5,302.13
Arizona.....	11,676.00	1,676.00	Nevada.....	10,350.37	350.37
Arkansas.....	17,135.68	7,135.68	New Hampshire.....	11,790.36	1,790.36
California.....	31,844.93	21,844.93	New Jersey.....	25,550.25	15,550.25
Colorado.....	13,985.52	3,985.52	New Mexico.....	11,628.84	1,628.84
Connecticut.....	16,183.04	6,183.04	New York.....	58,436.37	48,436.37
Delaware.....	10,917.24	917.24	North Carolina.....	22,198.59	12,198.59
District of Columbia.....	11,873.38	1,873.38	North Dakota.....	12,619.76	2,619.76
Florida.....	15,649.38	5,649.38	Ohio.....	35,575.17	25,575.17
Georgia.....	21,191.35	11,191.35	Oklahoma.....	19,219.48	9,219.48
Hawaii.....	11,417.28	1,417.28	Oregon.....	13,669.98	3,669.98
Idaho.....	11,712.40	1,712.40	Pennsylvania.....	47,059.52	37,059.52
Illinois.....	39,361.24	29,361.24	Puerto Rico.....	15,940.67	5,940.67
Indiana.....	22,461.12	12,461.12	Rhode Island.....	12,645.35	2,645.35
Iowa.....	19,507.68	9,507.68	South Carolina.....	16,690.42	6,690.42
Kansas.....	17,237.71	7,237.71	South Dakota.....	12,665.94	2,665.94
Kentucky.....	20,000.42	10,000.42	Tennessee.....	20,067.99	10,067.99
Louisiana.....	18,086.51	8,086.51	Texas.....	32,412.35	22,412.35
Maine.....	13,068.32	3,068.32	Utah.....	11,954.09	1,954.09
Maryland.....	16,277.79	6,277.79	Vermont.....	11,383.71	1,383.71
Massachusetts.....	26,351.67	16,351.67	Virginia.....	19,318.80	9,318.80
Michigan.....	28,632.30	18,632.30	Washington.....	16,015.64	6,015.64
Minnesota.....	19,865.58	9,865.58	West Virginia.....	16,653.64	6,653.64
Mississippi.....	17,733.39	7,733.39	Wisconsin.....	21,308.71	11,308.71
			Wyoming.....	10,867.93	867.93

The CHAIRMAN. You do not lay down any standards in that?

Miss LENROOT. They are in general terms providing that in order to benefit from this section of the bill, a State must, through its State department of public welfare, or some other agency designated, submit a plan which must provide for reasonable provision for such administration, for State financial participation in the work, for furthering local public child-welfare services, and for cooperation with health and welfare groups and organizations.

The CHAIRMAN. That carries out the general principle as in these other provisions?

Miss LENROOT. Yes; it gives the Federal Bureau authority to pass upon the general adequacy of the plan submitted by the States.

The CHAIRMAN. And if they do not do it, it gives you the power to withdraw any allotment to those States?

Miss LENROOT. Yes; Mr. Chairman, it does. Of course, as I say, these are general standards and would be administered in a spirit of cooperation and not a spirit of coercion. I might say that under the Sheppard-Towner law which we administered for 7 years, the States were left the greatest freedom in initiating plans and in developing the character of the work carried on under the plans.

The CHAIRMAN. Were the provisions in the Sheppard-Towner law quite similar to these?

Miss LENROOT. They were somewhat similar. The language is different and the purposes of the Sheppard-Towner Act were of course limited to only one small part of this bill. The Sheppard-Towner Act applied only to maternity and infancy, and as administered extended only to the age of 7 years.

The CHAIRMAN. But it did give them the right to withdraw any allocation to certain States which did not pass State laws?

Miss LENROOT. The act provided that the States must accept the provisions of the act by their legislatures, or provisionally by the governor, and that the plan submitted must be what was called reasonably adequate and appropriate to carry out the provisions of the act. There was no other specification as to standards, and it was provided further that the plans must be approved by the Federal agency if they were in conformity with the provisions of the act and reasonably adequate and appropriate. Of course that was a broad phrase, and it was interpreted by the Bureau very flexibly. There was no attempt to dominate or dictate, but an attempt simply to see that money was not improperly used, for example, for purposes that were really illegitimate purposes.

Senator COUZENS. Did you have any difference with any of the States?

Miss LENROOT. No serious differences. There were one or two problems that came up. I remember one as to the price of an automobile where there was a question as to whether it was justifiable. They were mostly of that character.

Senator COUZENS. There were no funds withheld because they did not comply with the Federal law?

Miss LENROOT. No, sir; there were suggestions made as to minor parts of the plans, but no State was denied funds under that act.

The purpose of this section of the bill is to enable the State agencies, with the assistance of this Federal money that we have provided,

mainly on a matching basis, to extend throughout the States, and particularly into the rural and neglected areas, the fundamental social services that are necessary if we are going to save children from extreme conditions of neglect and abuse and ill-treatment, and to have a way of getting to children who are suffering from physical handicaps or from mental handicaps, such as blindness or deafness or feeble-mindedness or other conditions, the services that are available in the cities. This type of work has been developed rather recently, mostly within the last 10 or 15 years, and it is interesting to note that relatively pioneer work has been done in the Southern States in this form of aid, where the rural problem has been found to be very great. I have here a table showing the 12 States that have already adopted legislation creating county boards or departments providing something of the type of service that is contemplated under this bill, and if the committee approves, I should like to insert the table in the record.

The CHAIRMAN. Put it in the record.

TABLE V.—States having legislation creating county boards or departments

State	Year inaugurated	Law mandatory or permissive	Administrative responsibility vested in—	State financial aid	Employment of county workers		Primary duties of county departments or boards									
					State approval of appointments	Extent of employment of paid workers	Protective work and care of children	Mothers' aid		Probation (when court requests)	School attendance	Home relief	Parole	Give assistance to State departments on request		
						Number of counties in States	Counties with workers, 1931		Administration	Assistance on request						
Alabama	1923	Permissive	Administrative board.	\$2,000 was available 1927-32 from State attendance fund for counties employing workers.	Requires certification of workers by department of child welfare.	67	64	✓			✓	✓			Juvenile only.	✓
Kentucky	1928	do	do		Statute requires approval by State department.	120		✓	✓		✓				do	
Minnesota	1917	do	do			87	12	✓		✓	✓					✓
Missouri	1921	do	Official		Qualifications fixed by statute, "qualified by training and experience."	115	(1)	✓	✓		✓				✓	
Nebraska	1931	do	Administrative board.		Qualifications fixed by statute, "qualified by training and experience."	93	(1)		✓	✓	✓					
New York	1929	Mandatory	Official	State aid, according to population, from school funds.	Elected official—Approval by State department.	57	57	✓	✓		✓	✓	✓		✓	✓
North Carolina	1917	do	Advisory board and official.			100	50									
South Dakota	1921	do	Administrative board.		Law makes no provision for paid worker.	69		✓								✓
Texas	1931	Permissive	do					✓								✓

[illegible]

No report

Miss LENROOT. The type of services rendered include in practically all cases protective work for the care of neglected and abused children, probation work for the juvenile court when requested, investigation of applications for the care of abandoned children in institutions or in foster homes, and similar types of services. The extent to which the needs of children are being neglected in many parts of the country at the present time is illustrated by the conditions in one State where over 400 children were reported in almshouses within the last year or two. This is a type of care which we had thought was characteristic of the conditions described by Dickens and not of present-day American conditions, and yet those children have been subjected to almshouse care in association with the degenerate and feeble-minded and the senile population of the almshouses.

There are many States where the relief workers have brought for the first time into these rural areas something approximating a social service which ascertains what the individual needs of children are and tries to bring the children in need of care in touch with the facilities which may be available through private or other sources.

Senator COUZENS. Have you any figures as to what these States have spent in those activities?

Miss LENROOT. I have figures, Senator, as to the expenditures of the State welfare departments or bureaus or divisions concerned with child welfare for services of this kind. I do not have figures as to the local services in those 12 States. I shall be glad to insert the table in the record showing the State expenditures which total, outside of New York State, a little over \$2,000,000, and which showed a decrease between 1932 and 1934 of 12.4 percent in State expenditures.

Senator COUZENS. Why did you leave out New York?

Miss LENROOT. We were unable to get the information at the time that we compiled this table. I may be able to get it for the record. [Figures for New York State have been added to table.]

TABLE VI.—Expenditures or appropriations for State welfare departments, bureaus, or divisions concerned with child welfare, exclusive of funds for State aid and maintenance of children

State	Agency	Funds for 1932 ¹	Funds for 1934 ¹	Percentage change 1932-34	
				In-crease or same	De-crease
Total.....		² \$2, 483, 984	² \$2, 181, 357		12. 2
Alabama.....	Child-welfare department.....	55, 105 E	42, 933 E		22. 1
Arizona.....	Board of public welfare.....	18, 270 A	6, 560 A		61. 1
Arkansas.....	No State department.....				
California.....	Department of social welfare.....	150, 024 A	72, 331 A		51. 9
Colorado.....	Child-welfare bureau.....	7, 784 A	6, 700 A		13. 9
Connecticut.....	Child-welfare bureau, depart- ment of public welfare.....	129, 928 E	111, 277 E		14. 4
Delaware.....	State board of charities.....	3, 000 A	5, 500 A	83. 3	
Florida.....	Board of public welfare.....	16, 560 A	13, 440 A		18. 8
Georgia.....	Department of public welfare.....	30, 000 A	20, 000 A		33. 3
Idaho.....	No division for children's work.....				
Illinois.....	Division of child welfare, depart- ment of public welfare.....	68, 752 E	38, 685 E		43. 7
Indiana.....	Board of State charities.....	49, 700 A	42, 400 A		14. 6
Iowa.....	Child welfare division, board of control.....	³ 18, 078 A	17, 730 A		1. 9
Kansas.....	No division for children's work.....				
Kentucky.....	Children's bureau.....	10, 000 A	9, 000 A		10. 0
Louisiana.....	Board of charities and correc- tions.....	7, 500 A	7, 500 A	Same	
Maine.....	Bureau of social service, depart- ment of health and welfare.....	80, 500 A	86, 764 A	7. 8	
Maryland.....	Board of State aid and charities.....	13, 450 A	9, 187 A		31. 6
Massachusetts.....	Division of child guardianship, department of public welfare. ⁴	408, 006 E	495, 000 A	21. 3	
Michigan.....	Department of public welfare.....	84, 085 E	84, 000 E	Same	
Minnesota.....	Children's bureau, board of con- trol.....	56, 670 E	48, 672 E		14. 1
Mississippi.....	No State department.....				
Missouri.....	State children's bureau.....	49, 515 E	30, 870 E		37. 6
Montana.....	Bureau of child protection.....	13, 275 A	10, 380 A		21. 8
Nebraska.....	Bureau of child welfare.....	10, 000 A	7, 750 A		22. 5
Nevada.....	No division for children's work.....				
New Hampshire.....	Board of public welfare.....	37, 225 A	36, 912 A		. 8
New Jersey.....	State board of children's guard- ians.....	315, 900 A	287, 419 A		9. 0
New Mexico.....	Bureau of child welfare.....	30, 299 E	26, 482 E		12. 5
New York.....	Division of child welfare, depart- ment of social welfare.....	57, 180 E	55, 671 E		2. 6
North Carolina.....	Board of charities and public welfare.....	31, 443 E	28, 360 A		9. 8
North Dakota.....	Children's bureau.....	6, 170 A	4, 455 A		27. 8
Ohio.....	Division of charities.....	169, 173 A	99, 200 A		41. 3
Oklahoma.....	Department of charities and cor- rections.....	14, 350 A	8, 470 A		40. 9
Oregon.....	Child welfare commission.....	13, 440 A	9, 455 A		29. 6
Pennsylvania.....	Department of welfare.....	297, 500 A	235, 000 A		21. 0
Rhode Island.....	Children's bureau, department of public welfare. ⁴	43, 926 E	44, 235 E	0. 7	
South Carolina.....	Children's bureau ⁴	9, 561 A	5, 482 A		42. 7
South Dakota.....	Child welfare commission.....	6, 000 A	4, 000 A		33. 3
Tennessee.....	Welfare division, department of institutions.....	6, 938 A	None		
Texas.....	Child welfare division.....	20, 100 A	13, 580 A		32. 4
Utah.....	No State department.....				
Vermont.....	Department of public welfare.....	18, 000 A	24, 000 A	33. 3	
Virginia.....	Children's bureau, department of public welfare.....	39, 497 E	34, 856 E		11. 7
Washington.....	No staff in children's division.....				
West Virginia.....	Department of public welfare.....	46, 750 A	52, 700 A		
Wisconsin.....	Juvenile department, board of control.....	32, 580 E	31, 151 E		4. 3
Wyoming.....	Board of charities and reform.....	7, 750 A	13, 250 A	70. 9	

¹ A, appropriation; E, expenditures.² Total exclusive of New York, for which information not obtained.³ 1932-33 appropriation.⁴ Bureau or division doing child placing mainly.

As I said, the type of work contemplated by this section of the act would be primarily to strengthen the State agencies of welfare and enable them to go out into the local communities and help to organize child-welfare services and to provide the types of care that are so lacking and that have not been met by the Emergency Relief Administrations. It is not contemplated that this section of the bill will in any way relieve any State or local government or any private agencies of the burdens that they are now carrying. It would simply provide a general framework for ascertaining the extent of the child-welfare problems of this country and trying to develop better coordination of effort and more effective use of the services now available.

To pass to section 701, title VII, page 50: This provides for an appropriation of \$4,000,000 for aid to the State agencies of health in extending and strengthening the services for the health of mothers and children, especially in the rural areas and areas suffering from severe economic distress. Of these amounts, it is provided that there shall be available \$2,040,000 for allocation to the States for extending these maternal and child-health and maternity-nursing services, especially in the rural areas, a first grant of \$20,000 to each State and \$1,000,000 to be distributed to the States in the proportion which the number of live births in each State bears to the total number of live births in the United States. The States must match this money, except that an amount of \$800,000 is provided for allocation by the Secretary of Labor to the States unable to match in full these funds, for their use in matching. It is provided in all these sections of title VII that except in extraordinary situations the amounts of money made available by the States shall not be less than the amounts available at the time of the passage of this act. The reason is that we do not want to encourage the States to decrease their appropriations in view of the Federal funds made available, but we want rather to encourage them to increase the services provided.

Then there is an amount of \$960,000 provided for demonstrations and research in maternal care in rural areas and in other aspects of maternal and child health.

Provisions as to the submission of plans and the approval of plans by the Children's Bureau are included, which are similar to those in the section which we have already discussed, the aid to welfare services.

I should like to call the attention of the committee to the very great need of maternal and child-health service and the decreased facilities now available in the States and the local communities for work of this kind. The infant death rates in this country have been decreasing for the past few years owing largely to the educational work that has been carried on for a long period of years and to the development of the public-health services. The decline in infant mortality was maintained during the first part of the depression period, but we find in comparing the rates for 1932 and 1933 that instead of falling as it had for a number of years, the rate was stationary. In 1932 infant death rate was 58 per thousand live births, and in 1933 it was the same, 58, instead of a lower figure. Advance figures made available in the public-health reports for 26 States for the first 6 months of 1934 show an actual increase in the infant mortality. For these 26 States there was a rate of 62 for the first

6 months of 1934 as compared with 59 for the corresponding area in 1933 and 58 in 1932.

The testimony as to the effect of the depression on the nutrition and health of children has been assembled elsewhere. There is a report from Pennsylvania, for instance, based on examinations over the State conducted under the auspices of the medical societies, showing an average of about 30 percent of the children examined suffering from malnutrition, and there is testimony indicating the shrinkage of State resources for combating the detrimental effects of the depression on the health of the mothers and children.

I have here a table showing the maternal and child-health funds available by the States in 1928 and 1934, showing the percentage of decrease. I should like to file it if the committee permits.

TABLE VII.—*Funds for State maternal and child-health work*

State	1928			1934	Percent increase 1934 over 1928	Percent decrease 1934 under 1928
	Total funds	Federal	State			
Delaware.....	\$18,008.02	\$11,504.01	\$6,504.01	\$33,000.00	83.3	-----
Pennsylvania.....	132,621.98	68,810.99	63,810.99	197,539.00	48.9	-----
Maine.....	25,000.00	15,000.00	10,000.00	26,300.00	5.2	-----
Massachusetts.....	78,275.00	-----	78,275.00	80,850.00	3.3	-----
New Hampshire.....	20,976.62	12,988.31	7,988.31	21,620.50	3.1	-----
Rhode Island.....	24,276.28	14,076.28	10,200.00	24,065.00	-----	0.9
Illinois.....	70,000.00	-----	70,000.00	69,070.00	-----	1.3
Connecticut.....	132,760.00	-----	32,760.00	29,392.00	-----	10.3
New Jersey.....	118,163.55	31,284.55	86,879.00	103,872.52	-----	12.1
Wisconsin.....	50,752.00	27,751.62	23,000.38	43,350.00	-----	14.6
Maryland.....	33,554.00	19,277.00	14,277.00	26,844.00	-----	20.0
Minnesota.....	47,000.00	26,099.65	20,900.35	36,000.00	-----	23.4
South Dakota.....	7,500.00	7,500.00	-----	5,000.00	-----	33.3
Arizona.....	19,507.42	12,253.71	7,253.71	12,890.00	-----	33.9
New York.....	210,041.78	80,041.78	130,000.00	134,500.00	-----	36.0
Virginia.....	75,574.00	25,574.00	50,000.00	40,372.00	-----	46.6
Kentucky.....	47,597.48	26,298.64	21,298.84	25,200.00	-----	47.1
Michigan.....	164,741.11	34,741.11	30,000.00	31,940.00	-----	50.7
Missouri.....	49,186.81	24,186.81	25,000.00	23,799.00	-----	51.6
Texas.....	77,902.52	41,450.52	36,452.00	34,840.00	-----	55.3
Montana.....	24,400.00	13,700.00	10,700.00	10,500.00	-----	57.0
Georgia.....	64,433.89	35,451.10	28,987.79	26,000.00	-----	59.7
North Dakota.....	8,000.00	6,500.00	1,500.00	3,056.00	-----	61.8
North Carolina.....	49,519.66	27,259.56	22,260.00	18,500.00	-----	62.6
Washington.....	8,387.00	5,000.00	3,387.00	3,000.00	-----	64.2
Mississippi.....	49,076.58	22,076.58	27,000.00	15,150.00	-----	69.1
Wyoming.....	10,000.00	7,500.00	2,500.00	2,500.00	-----	75.0
Louisiana.....	30,042.00	7,521.00	22,521.00	7,000.00	-----	76.7
Kansas.....	35,000.00	20,000.00	15,000.00	8,000.00	-----	77.1
West Virginia.....	40,443.43	19,571.74	20,871.74	9,140.00	-----	77.4
Hawaii.....	18,451.92	11,725.96	6,725.96	4,100.00	-----	77.8
California.....	157,580.00	31,290.00	26,290.00	12,225.00	-----	78.8
Florida.....	37,906.00	16,531.72	21,374.28	7,330.00	-----	80.7
Ohio.....	53,334.00	23,585.57	29,748.43	10,048.00	-----	81.2
Oregon.....	27,533.46	15,283.46	12,250.00	4,701.00	-----	82.9
Iowa.....	42,298.91	21,085.31	21,213.60	6,600.00	-----	84.4
Idaho.....	12,500.00	7,500.00	5,000.00	1,430.00	-----	88.6
South Carolina.....	37,711.30	21,355.65	16,355.65	2,046.00	-----	94.6
Tennessee.....	55,767.00	25,767.00	30,000.00	2,912.00	-----	94.8
Alabama.....	64,173.90	25,836.95	38,336.95	2,520.00	-----	96.1
Arkansas.....	38,635.02	21,817.51	16,817.51	-----	-----	-----
Colorado.....	15,000.00	10,000.00	5,000.00	-----	-----	-----
Indiana.....	53,897.00	31,927.00	21,970.00	-----	-----	-----
Nebraska.....	17,000.00	11,000.00	6,000.00	-----	-----	-----
Nevada.....	16,044.00	10,522.00	5,522.00	-----	-----	-----
New Mexico.....	19,860.66	12,430.33	7,430.33	-----	-----	-----
Oklahoma.....	42,358.96	23,679.48	18,679.48	-----	-----	-----
Utah.....	20,500.00	12,500.00	8,000.00	-----	-----	-----
Vermont.....	5,000.00	5,000.00	-----	-----	-----	-----

¹ For four States (California, Connecticut, Michigan, and Wyoming), 1929 figures are given.

The CHAIRMAN. Yes.

Miss LENROOT. The percentage of decrease ranges from 0.9 to as high as 96.1, and we have nine States now making no special appropriations for work of this kind. We have, on the other hand, five States that show some increase in 1934 over 1928.

The CHAIRMAN. You are putting this tabulation of States in the record, are you not?

Miss LENROOT. Yes; I should be glad to insert this. There are now 23 States appropriating less than \$10,000 for the entire State for purposes of maternal and child-health work, and 14 of those 23 States have less than \$3,000 or nothing at all for this work. The apportionment of money under title VII, section 701, and the apportionment in comparison with State funds available in 1934 are shown in tables VIII and IX.

TABLE VIII.—*Apportionment under title VII, Maternal and Child Health, sec. 701*

State	Total apportionment \$1,000,000 plus \$20,000 allotment	Apportionment of \$1,000,000 distributed on the basis of live births reported in 1933 ¹
Total.....	\$2,040,000.00	\$1,000,000.00
Alabama.....	47,478.45	27,478.45
Alaska.....	20,592.75	592.75
Arizona.....	23,762.55	3,762.55
Arkansas.....	36,578.39	16,578.39
California.....	54,747.93	34,747.93
Colorado.....	27,955.77	7,955.77
Connecticut.....	30,390.20	10,390.20
Delaware.....	21,816.21	1,816.21
District of Columbia.....	24,610.00	4,610.00
Florida.....	31,885.50	11,885.50
Georgia.....	48,240.68	28,240.68
Hawaii.....	24,859.14	4,859.14
Idaho.....	23,962.61	3,962.61
Illinois.....	69,971.34	49,971.34
Indiana.....	43,376.45	23,376.45
Iowa.....	38,326.53	18,326.53
Kansas.....	34,242.13	14,242.13
Kentucky.....	45,620.09	25,620.09
Louisiana.....	38,406.64	18,406.64
Maine.....	27,003.21	7,003.21
Maryland.....	32,707.01	12,707.01
Massachusetts.....	49,380.33	29,380.33
Michigan.....	57,474.10	37,474.10
Minnesota.....	40,613.70	20,613.70
Mississippi.....	40,502.56	20,502.56
Missouri.....	46,524.03	26,524.03
Montana.....	24,145.99	4,145.99
Nebraska.....	31,199.67	11,199.67
Nevada.....	20,626.55	626.55
New Hampshire.....	23,419.87	3,419.87
New Jersey.....	45,960.92	25,960.92
New Mexico.....	25,697.78	5,697.78
New York.....	106,669.77	86,669.77
North Carolina.....	54,926.68	34,926.68
North Dakota.....	26,107.61	6,107.61
Ohio.....	64,355.52	44,355.52
Oklahoma.....	40,235.36	20,235.36
Oregon.....	25,660.27	5,660.27
Pennsylvania.....	92,725.40	72,725.40
Puerto Rico.....	50,764.02	30,764.02
Rhode Island.....	24,793.84	4,793.84
South Carolina.....	38,671.06	18,671.06
South Dakota.....	25,954.79	5,954.79
Tennessee.....	43,222.71	23,222.71
Texas.....	69,989.86	49,989.86
Utah.....	25,515.32	5,515.32
Vermont.....	22,839.16	2,839.16
Virginia.....	43,734.88	23,734.88
Washington.....	29,670.11	9,670.11
West Virginia.....	36,792.80	16,792.80
Wisconsin.....	43,343.57	23,343.57
Wyoming.....	21,948.19	1,948.19

¹ Alaska apportionment based on live births reported for the 2-year period 1931-32; Hawaii and Puerto Rico, 1932.

TABLE IX.—*Apportionment under title VII, Maternal and Child Health, sec. 701, compared with State funds available in 1934*

State	1934 State funds for maternal and child-health work	Total apportionment under title VII, sec. 701	Excess of total apportionment over State funds	Excess of State funds over total apportionment
Alabama.....	\$2,520.00	\$47,478.45	\$44,958.45	-----
Alaska.....	-----	20,592.75	20,592.75	-----
Arizona.....	12,890.00	23,762.55	10,872.55	-----
Arkansas.....	-----	36,578.39	36,578.39	-----
California.....	12,225.00	54,747.93	42,522.93	-----
Colorado.....	-----	27,955.77	27,955.77	-----
Connecticut.....	29,392.00	30,390.20	998.20	-----
Delaware.....	33,000.00	21,816.21	-----	\$11,183.79
District of Columbia.....	44,000.00	24,610.00	-----	19,390.00
Florida.....	7,330.00	31,885.50	24,555.50	-----
Georgia.....	26,000.00	48,240.68	22,240.68	-----
Hawaii.....	4,100.00	24,859.14	20,759.14	-----
Idaho.....	1,430.00	23,962.61	22,532.61	-----
Illinois.....	69,070.00	69,971.34	901.34	-----
Indiana.....	-----	43,376.45	43,376.45	-----
Iowa.....	6,600.00	38,326.53	31,726.53	-----
Kansas.....	8,000.00	34,242.13	26,242.13	-----
Kentucky.....	25,200.00	45,620.09	20,420.09	-----
Louisiana.....	7,000.00	38,406.64	31,406.64	-----
Maine.....	26,300.00	27,003.21	703.21	-----
Maryland.....	26,844.00	32,707.01	5,863.01	-----
Massachusetts.....	80,850.00	49,380.33	-----	31,469.67
Michigan.....	31,940.00	57,474.10	25,534.10	-----
Minnesota.....	36,000.00	40,613.70	4,613.70	-----
Mississippi.....	15,150.00	40,502.56	25,352.56	-----
Missouri.....	23,799.00	46,524.03	22,725.03	-----
Montana.....	10,500.00	24,145.99	13,645.99	-----
Nebraska.....	-----	31,199.67	31,199.67	-----
Nevada.....	-----	20,626.55	20,626.55	-----
New Hampshire.....	21,620.00	23,419.87	1,799.87	-----
New Jersey.....	103,872.00	45,960.92	-----	57,911.08
New Mexico.....	-----	25,697.78	25,697.78	-----
New York.....	134,500.00	106,669.77	-----	27,830.23
North Carolina.....	18,500.00	54,926.63	36,426.63	-----
North Dakota.....	3,056.00	26,107.61	23,051.61	-----
Ohio.....	10,048.00	64,355.52	54,307.52	-----
Oklahoma.....	-----	40,235.36	40,235.36	-----
Oregon.....	4,701.00	25,660.27	20,959.27	-----
Pennsylvania.....	197,539.00	92,725.40	-----	104,813.60
Puerto Rico.....	18,612.22	50,764.02	42,151.80	-----
Rhode Island.....	24,065.00	24,793.84	728.84	-----
South Carolina.....	2,046.00	38,671.06	36,625.06	-----
South Dakota.....	5,000.00	25,954.79	20,954.79	-----
Tennessee.....	2,912.00	43,222.71	40,310.71	-----
Texas.....	34,840.00	69,989.86	35,149.86	-----
Utah.....	-----	25,515.32	25,515.32	-----
Vermont.....	-----	22,839.16	22,839.16	-----
Virginia.....	40,372.00	43,734.88	3,362.88	-----
Washington.....	3,000.00	29,670.11	26,670.11	-----
West Virginia.....	9,140.00	36,792.80	27,652.80	-----
Wisconsin.....	43,350.00	43,343.57	-----	6.43
Wyoming.....	2,500.00	21,948.19	19,448.19	-----
Total.....	1,209,813.22	2,040,000.00	1,082,791.58	-----

¹ For Bureau of Child Hygiene, fiscal year 1933-34.

The extent to which the mothers and babies of this country are without the fundamental services necessary to insure an adequate start in life are shown by some studies that have been recently made. For example, we know that the public-health nurse is a fundamental agent in improving maternal and infant mortality. She is the one that goes to the home or sees the mother in the clinic and explains to the mother the reason for her putting herself under medical care early in pregnancy, and she is the one who after the baby is born helps the mother to learn the best way of feeding and caring for the baby, of course under medical instruction. We have reports as to the public-

health nursing services available in the counties of 24 States in 1934, and I should like to call the attention of the committee to the fact that these 24 States are not by any means the worst States. They are States that would average up fairly well in the provision that they are making when compared to the rest of the country; and yet, of 1,017 rural counties in these States, there are only 370, or about one-third, that have any permanent county-wide nursing service. We took the population in the rural counties in those States and estimated the percentage of the total population in these counties served by permanent county-wide nursing services, and the percentage without any such service, and we found that 54 percent of the population in these counties was without any service of this kind at all; and frequently when the statement is made that a county has county-wide nursing service, it may mean only one nurse for the entire county.

TABLE X.—*Permanent public-health nursing service in the counties of 24 States, 1934*¹

	Number of counties	Population ² of counties	
		Number	Percent distribution
Total counties in States.....	1,393		
Permanent nursing service.....	835		
County-wide service.....	638		
Local service only.....	197		
No permanent nursing service.....	558		
Total rural counties in States.....	1,017	19,630,274	100
Permanent county-wide nursing service.....	370	9,036,336	46
No permanent county-wide nursing service.....	647	10,593,938	54

¹ Compiled from data received by United States Children's Bureau from State health departments.

² Population—1930 United States Census.

Another way of estimating the extent of the need is to ascertain the extent to which prenatal and child-health centers exist where mothers can come to be examined themselves by a physician or have their children examined by physicians to determine whether they are in a normal state of health and of growth, or whether they need special attention. We have figures for 18 States, and again these are the States that are relatively well supplied as compared with the rest of the country. Of the urban counties in those States, totaling 241, 45 percent are without any prenatal or child-health centers of this kind, and in the rural counties 89 percent are without any prenatal or child-health centers of this kind.

I shall file this.

TABLE XI.—*Permanent prenatal and child-health centers in the counties of 18 States, 1934*¹

	Number of counties	Percent dis- tribution
Total counties.....	982	100
Prenatal and child-health centers.....	220	22
Both prenatal and child-health centers.....	137	
Prenatal centers only.....	6	
Child-health centers only.....	77	
Neither prenatal nor child-health centers.....	762	78
Urban counties.....	261	100
Prenatal and child-health centers.....	144	55
Both prenatal and child-health centers.....	97	
Prenatal centers only.....	4	
Child-health centers only.....	43	
Neither prenatal nor child-health centers.....	117	45
Rural counties.....	721	100
Prenatal and child-health centers.....	76	11
Both prenatal and child-health centers.....	40	
Prenatal centers only.....	2	
Child-health centers only.....	34	
Neither prenatal nor child-health centers.....	645	89

¹ Compiled from data received by U. S. Children's Bureau from State health departments.

Senator COUZENS. Would the extension of these activities be necessary if the rest of the program were adopted?

Miss LENROOT. Yes; I think they would, Senator, because in spite of what we can do in providing greater economic security, there will be a great deal in the way of public-health service necessary to bring to both the rural families, many of which will not be reached by the economic-security measures, and the families in the smaller towns, the type of help and care that they need in order to keep the mothers informed, first of all, as to the standards of maternal care so that the mothers may know what to demand, and secondly, to enable them to have the best information as to the ways by which their babies ought to be taken care of.

I have also figures showing the adequacy of milk supply in 3,500 families under the care of public health nursing agencies in 25 cities, as of November 1934. I am inserting this with the permission of the committee to show the conditions making necessary unusual and increased efforts for child health in this period. In the families included in this study, there were 56 percent receiving less than 50 percent of the amount of milk that is estimated to be necessary for the family. I am including in this table the standard by which these percentages were arrived at. We divided these into families receiving relief and families not receiving relief, and we find that of the relief families, 64 percent had no milk (in the case of 6 percent of the families) or less than 50 percent of the amount necessary, while of the nonrelief families largely of low economic standards, only 49 percent had had less than 50 percent of the amount considered adequate.

TABLE XII.—*Adequacy of milk supply in 3,500 families under the care of public health nursing agencies in 25 cities, November 1934*

ADEQUACY OF MILK SUPPLY FOR FAMILY

	Families					
	Total		Receiving relief		Not receiving relief	
	Number	Percent distribution	Number	Percent distribution	Number	Percent distribution
Total families.....	3,500		1,526		1,828	
Total reported.....	3,459	100	1,511	100	1,805	100
More than adequate.....	197	6	50	3	141	8
Adequate.....	53	2	15	1	38	2
Inadequate.....	3,209	93	1,446	96	1,626	90
75 percent, less than 100 percent of amount necessary.....	365	11	134	9	217	12
50 percent, less than 75 percent of amount necessary.....	908	26	355	23	520	29
25 percent, less than 50 percent of amount necessary.....	997	29	438	29	526	29
Less than 25 percent of amount necessary.....	809	23	431	29	331	18
No milk.....	130	4	88	6	32	2
Not reported.....	41		15		23	

ADEQUACY OF MILK FOR CHILDREN UNDER 6 YEARS OF AGE IF ALL TAKEN BY FAMILY HAD BEEN USED FOR CHILDREN OF THIS AGE

Total families.....	3,500		1,526		1,828	
Total reported.....	2,295	100	1,078	100	1,115	100
Adequate.....	1,263	55	525	49	692	62
Inadequate.....	1,032	45	553	51	423	38
Not reported.....	27		9		16	
No children under 6, or nursing children only.....	1,178		439		697	

Adequacy of milk supply determined by standard:

Children under 1 year:

If mother is nursing.....

If mother not nursing.....

Children 1 to 5 years.....

6 to 15 years.....

16 to 20 years.....

Adult not pregnant or nursing.....

Adult pregnant or nursing.....

Amount of milk
necessary per
week, quarts

0

7

7

5

5

3.5

7

I have also figures for these families as to reports of the mothers and the visiting nurses with reference to the extent to which there were physical defects or conditions needing attention in the children in these families. Of course these figures are not based on medical examinations. With medical examinations we would have found a very much larger percentage with defects. The gross conditions apparent to the mothers and nurses are, however, of interest. We found that among the 31 percent of the children in these families who had these conditions and apparently were in need of care, there were 1,336 children for whom no treatment was arranged for. In

833 of these cases the lack of treatment was ascribed to financial necessity.

TABLE XIII.—*Physical defects or conditions needing attention as reported by mother to visiting nurse among 9,472 children included in 3,500 families under the care of public-health nursing agencies in 25 cities, November 1934*

Physical defects or conditions needing attention	Age of child							
	Total		Under 1 year		1 year, under 6 years		6 years, under 10 years	
	Num-ber	Per-cent distri-bution	Num-ber	Per-cent distri-bution	Num-ber	Per-cent distri-bution	Num-ber	Per-cent distri-bution
Total children.....	9,472	100	1,238	100	3,509	100	4,725	100
No defects.....	6,557	69	1,059	86	2,558	73	2,940	62
Defects.....	2,915	31	179	14	951	27	1,785	38
Treatment reported.....	2,833		172		928		1,733	
Treatment arranged for.....	1,497		145		504		848	
Treatment not arranged for because of—	1,336		27		424		885	
Financial reasons.....	833		9		240		584	
Other reasons.....	403		15		153		235	
Reasons not reported.....	100		3		31		66	
Treatment not reported.....	82		7		23		52	

I have here a table showing the trend in infant mortality over a considerable period, and I have maps showing the great variation between the States as to infant mortality rates. I think these are important because they show that even though we have a much lower infant-mortality rate than we did a number of years ago, we have parts of the country where the rate is still exceedingly high and where the need for work of the kind proposed in this bill is exceedingly great.

TABLE XIV.—*Trend of mortality in the first day, first month, and first year of life in the United States expanding birth-registration area, 1915-33*

[Deaths per 1,000 live births]

Year	Rate in the first day of life	Rate in the first month of life	Rate in the first year of life
1915.....	15	44	100
1916.....	15	44	101
1917.....	15	43	94
1918.....	15	44	101
1919.....	14	41	87
1920.....	15	42	86
1921.....	14	40	76
1922.....	15	40	76
1923.....	15	40	77
1924.....	15	39	71
1925.....	15	38	72
1926.....	15	38	73
1927.....	15	36	65
1928.....	15	37	69
1929.....	15	37	68
1930.....	15	36	65
1931.....	15	35	62
1932.....	15	34	58
1933.....	15	34	58

I have here a map showing infant mortality in the United States in 1933. The black States [indicating] on the map are Arizona and New Mexico, and they have rates of 90 or more deaths per thousand live births. The rates in these States with the vertical lines are 65 to 89, and in contrast with these States in which so much work is needed, especially in the rural areas, we have these lighter-lined States where the rates are much better.

Senator COSTIGAN. Have Arizona and New Mexico been notable for the absence of maternity information services?

Miss LENROOT. They have not had, especially in Arizona I think, adequate maternal and child health service, and of course these States have a very large Mexican population, with a good deal of poverty, and the rates in the Mexican population are very high.

Senator COSTIGAN. What is the reason for the large mortality rate in the Southern States, generally?

Miss LENROOT. Of course the Negro population has a good deal to do with it. The infant mortality rates are always higher among Negroes than among the corresponding groups of whites, probably because of the economic conditions of the Negroes and the fact that to a very great extent they do not have the medical services available nor the health services. I think that others who are to testify before this committee from some of the Southern States will show the very great extent to which there is absence of any medical care at all at the time of death or at the time of childbirth.

The CHAIRMAN. I notice, Miss Lenroot, that my State, Mississippi is in the second category. It seems as though it were in fairly good shape, and we have about 250,000 more of the colored population than the white.

Miss LENROOT. I want to say that for many years, Senator, you have had remarkable work being done in Mississippi by Dr. Underwood in your health department.

Senator GUFFEY. Is the infant mortality greater with the Mexicans than with other people?

Miss LENROOT. I can supply that.

Senator GUFFEY. I would like very much to see those figures.

Miss LENROOT. I will supply those.

(The matter referred to is as follows:)

NEW MEXICO

(Information received by Children's Bureau from Dr. J. Rosslyn Earp, director of public health, bureau of public welfare, Santa Fe)

Infant-mortality rates for 1933, based on character of name given on birth and death certificates: Spanish American, 173.8; Anglo American, 61.7.

CALIFORNIA

(California State Department of Public Health Weekly Bulletin, vol. xiii, no. 12, Apr. 21, 1934, p. 45)

Infant mortality rates (1933) for Negroes, Chinese, Japanese and Mexicans

Race:	Rate
White.....	40. 4
Negro.....	61. 2
Indian.....	122. 3
Chinese.....	70. 6
Japanese.....	46. 0
Mexican.....	121. 4
Others.....	91. 5

Infant mortality in the Belvedere section of Los Angeles County, 1932 and 1933

Year	Total	American	Mexican
1933.....	33.66	12.71	56.82
1932.....	37.07	24.78	48.09

From Annual Report, Los Angeles County Health Department, 1933-34, p. 47, and explanatory letter from Dr. Anna E. Rude to Children's Bureau, dated Oct. 31, 1934.

Mexican infant mortality in Denver

Denver infant death rate.....	86
Mexican death rate.....	193

*Per 1,000
live births*

From Infant and Maternal Mortality in Denver, F. P. Gengenbach, M. D., Denver, Colo. The Journal of Pediatrics, vol. I, no. 6, pp. 719-726.

ECONOMIC SECURITY ACT

[illegible]

[illegible]

Source: U. S. Bureau of the Census.
Dropped from birth registration area.

Dropped from birth registration area.

Senator BARKLEY. Is there any relationship between infant mortality and political mortality in Mississippi? [Laughter.]

Miss. LENROOT. I want to say, Senator, that Kentucky shows up even better than Mississippi. Dr. McCormack has done notable work. The maternal mortality is shown on this map [indicating] and there we have a similar variation among States. I would like to know whether the committee would like to have these maps?

The CHAIRMAN. It is difficult to put them in the record. If we have one for each member of the committee, it would be better. Maps of that character are expensive to reproduce, and it takes a long time to have it done by the Government Printing Office, usually.

Miss LENROOT. Perhaps I could have available a few copies for the members of the committee.

The CHAIRMAN. Give us one for each member of the committee if you can, or if you cannot, give us as many as you can.

Miss LENROOT. I might put in some tabulation showing it.

The CHAIRMAN. Yes, you might put in tables and some description of the States with reference to the matter.

Miss LENROOT. In addition to table XV which shows the trend of infant mortality I will be glad to insert material on the trend of maternal mortality in the United States.

I have also certain comparisons to give you regarding maternal deaths in this country and certain foreign countries. I will be glad to insert those if you want them, and also infant mortality comparisons.

The CHAIRMAN. Yes.

TABLE XVI.—Trend of maternal mortality in the United States birth-registration area by States, 1915-33¹

State	Maternal mortality rates ²																		
	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933
Area	61	2	66	92	74	80	68	60	67	66	65	66	65	69	70	67	66	63	62
Alabama													80	94	99	90	81	76	75
Arizona															77	82	85	82	81
Arkansas												102	90	88	91	94	71	66	78
California					80	77	68	72	67	59	60	56	58	61	57	51	62	56	46
Colorado														96	86	74	70	74	62
Connecticut	56	49	51	75	62	68	53	57	57	57	49	59	55	54	49	43	48	50	48
Delaware							63	66	84	77	77	93	59	56	63	65	71	82	69
Florida										121	121	107	110	107	93	106	104	101	101
Georgia																			
Idaho																			
Illinois																			
Indiana			73	101	81	87	69	66	64	62	58	57	60	68	61	65	51	53	43
Iowa																			
Kansas																			
Kentucky			76	114	82	84	64	76	68	60	56	60	59	18	58	50	50	51	53
Louisiana			60	80	63	64	63	61	60	62	60	58	49	77	68	73	62	62	55
Maine	68	78	67	86	86	85	74	76	87	82	72	67	80	91	99	100	86	81	84
Maryland																			
Massachusetts	57	60	65	92	71	75	65	68	63	65	63	61	63	64	67	64	65	60	50
Michigan																			
Minnesota	52	55	56	78	67	79	57	49	60	50	53	57	44	57	43	53	40	48	44
Mississippi							95	83	88	95	98	79	87	91	89	96	80	63	73
Missouri																			
Montana																			
Nebraska																			
Nevada																			
New Hampshire	61	72	70	78	80	71	62	65	74	61	71	76	65	60	61	58	54	52	46
New Jersey																			
New Mexico																			
New York	59	51	57	80	62	69	63	60	57	59	60	57	61	59	56	56	59	59	62
North Carolina																			
North Dakota																			
Ohio																			
Oklahoma																			
Oregon																			
Pennsylvania	64	70	65	105	101	94	74	83	69	65	72	59	64	61	59	58	45	47	55
Rhode Island	66	58	63	98	(³)	(³)	71	55	63	63	52	60	64	60	63	60	65	61	57

¹ Source: United States Bureau of the Census.² Deaths assigned to pregnancy and childbirth per 10,000 live births.³ Dropped from birth-registration area.

TABLE XVI.—Trend of maternal mortality in the United States birth-registration area by States, 1915-33—Continued

State	Maternal mortality rates																		
	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933
South Carolina.....																			80
South Dakota.....					112	122	98	107	97	108	(3)	(3)	(3)	71	89	84	74	72	48
Tennessee.....																			37
Texas.....																			60
Utah.....																			77
Vermont.....																			45
Virginia.....	61	79	59	86	84	79	73	55	50	45	52	49	75	49	49	49	42	43	71
Washington.....																			57
West Virginia.....																			71
Wisconsin.....																			63
Wyoming.....																			64
District of Columbia.....	70	101	86	91	86	88	101	71	71	101	122	87	86	85	70	90	71	90	50

³ Dropped from birth-registration area.

TABLE XVII.—*Trend of infant mortality in the United States and certain foreign countries*

Country	Deaths under 1 year per 1,000 live births														
	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929
Australia	68	70	56	59	69	69	66	53	61	57	53	54	54	53	51
Austria	218	192	186	193	156	157	156	156	141	127	119	123	124	120	112
Belgium	202	203	206	267	224	195	198	175	176	189	174	189	167	173	178
British India	---	---	---	146	110	146	158	155	165	159	152	127	168	149	156
Bulgaria	---	---	---	---	---	100	88	87	88	79	79	102	94	90	89
Canada	254	241	269	255	306	263	278	240	283	266	258	251	226	212	224
Czechoslovakia	---	---	---	---	142	178	173	166	147	148	146	154	157	146	142
Denmark	95	100	100	74	92	91	77	85	83	84	80	84	83	81	83
England and Wales	---	---	---	---	128	137	133	140	143	150	155	146	152	151	159
Estonia	110	91	96	97	89	80	83	77	69	75	75	70	70	65	74
Finland	---	---	---	---	---	---	---	105	103	100	96	102	115	104	110
France	168	148	155	154	121	131	134	130	132	109	105	102	97	89	96
Germany	---	---	---	---	---	---	---	82	92	98	90	75	101	94	111
Greece	---	---	---	---	---	---	---	68	79	81	99	104	89	83	98
Guatemala	130	116	115	116	112	81	76	92	79	81	99	107	185	177	179
Hungary	---	---	---	---	---	193	193	198	184	193	168	167	185	177	179
Ireland	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Irish Free State	85	81	84	80	84	78	73	69	66	72	68	74	71	68	70
Italy	147	147	139	192	129	127	129	126	128	126	119	127	120	120	125
Japan	160	170	173	189	170	166	168	166	163	156	142	137	142	138	142
Latvia	---	---	---	---	---	128	93	91	88	101	107	88	96	96	107
Lithuania	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Netherlands	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
New Zealand	50	51	48	48	45	51	48	42	44	40	40	40	39	36	34
Northern Ireland	107	89	97	101	95	94	87	77	76	85	86	85	78	78	86
Norway	68	64	64	63	62	58	54	55	50	50	50	48	51	49	54
Salvador	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Scotland	126	97	107	100	102	92	90	101	79	98	91	83	89	86	87
Sweden	76	70	63	65	70	63	61	62	56	60	56	56	56	59	59
Switzerland	90	78	79	88	82	84	74	70	61	62	58	57	57	54	52
United States ¹	100	101	94	101	87	86	76	76	77	71	72	73	65	69	68
Uruguay	111	124	107	110	101	117	107	94	104	108	115	93	106	100	93
United States ²	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Uruguay	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Figures from official sources.

¹ Provisional² The United States expanding birth-registration area; in 1915 it comprised 10 States and the District of Columbia; in 1933 the entire continental United States.

TABLE XVIII.—*Trend of maternal mortality in the United States and certain foreign countries*

Country	Maternal deaths ¹ per 10,000 live births																		
	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933
Australia	43	53	56	47	47	50	47	45	51	55	56	53	59	60	51	53	55	56	51
Belgium					72	60	57	53	56	58	50	61	57	60	62	52	49	48	
Canada							51	55	54	60	56	57	56	56	57	58	51	50	² 50
Chile	66	73	72	82	88	75	79	80	74	61	61	58	58	59	78	68	75	71	
Czechoslovakia					37	40	37	34	32	31	33	34	36	40	43	41	41	² 43	² 48
Denmark							16	20	26	23	24	27	31	27	32	38	40	35	33
England and Wales	42	41	39	38	44	43	39	38	38	39	41	41	41	44	43	44	41	42	² 43
Estonia									45	40	38	41	41	50	46	49	43	34	
Finland		36	38	44	40	36	33	30	31	35	29	32	² 30	² 30					
Germany									53	50	49	52	55	55	55	54	51		
Greece							73	72	85	88	67	59	61	66	71	58			
Hungary		42	40	52	29	32	29	30	28	31	29	32	30	34	34	36	37	37	
Irish Free State	53	57	49	48	47	49	50	57	48	48	47	49	45	49	41	48	43	46	
Italy	22	27	30	37	29	28	26	25	27	32	28	26	26	28	29	27	28	30	
Japan	36	35	35	38	33	35	36	33	34	31	30	27	28	28	28	27	27	25	
Lithuania											59	56	50	50	57	60	62	55	61
Netherlands				29	33	24	23	25	23	24	26	29	29	34	34	33	32	30	² 32
New Zealand	47	59	60	52	51	65	51	51	51	50	47	42	49	49	48	51	48	41	44
Northern Ireland	56	50	51	47	46	69	52	47	49	45	44	56	48	52	49	53	51	53	
Norway	27	28	30	30	34	26	22	25	28	29	27	32	25	30	36	30	27	26	
Salvador						57	57	46	50	57	50	56	63	56	53	49	56		
Scotland	61	57	59	70	62	62	64	66	64	58	62	64	64	70	69	69	59	63	59
Sweden	29	27	25	26	32	27	27	25	23	24	26	29	28	33	38	35	37	² 27	
Switzerland		54	56	51	57	56	55	51	46	48	43	44	37	44	46	43	44	44	46
United States ³	61	62	66	92	74	80	68	66	67	66	65	66	65	69	70	67	66	63	62
Uruguay	22	29	32	30	23	34	33	27	27	25	25	30	22	24	24	31	24		

¹ Deaths assigned to pregnancy and childbirth.² Provisional.³ The United States expanding birth registration area, in 1915 it comprised 10 States and the District of Columbia; in 1933 the entire continental United States.

Figures from official sources.

Miss LENROOT. The types of work that would be contemplated under this section of the bill, as I say, would be mainly enabling the State agencies of health to go into local areas and help the local areas to develop the public-health nursing and the prenatal and child-health activities, and the work that is necessary to help the States bring to midwives the instruction in the care of maternity cases which is so much needed.

The CHAIRMAN. Have you conferred with the State health officers of the various States as to their reaction to the provisions of this bill?

Miss LENROOT. Yes, Senator; with several of them, and I was just coming to that. I wanted to point out that these sections of the bill were developed in consultation with an advisory committee on child welfare appointed by the Secretary of Labor as chairman of the Cabinet Committee, and on that committee was Dr. Abercrombie, of Georgia, who is the chairman of the Conference of State and Provincial Health Authorities of North America. He sat with us and worked with us very closely in the development of the report to the Committee on Economic Security. Moreover, the technical expert on the staff of the Committee on Economic Security working on public-health report covered by title VIII of this bill was consulted, and one member of our advisory committee was also a member of the Public Health Advisory Committee, so that title VII and title VIII have been developed in harmony, and there is full agreement as to both titles of the bill.

Moreover, a number of the health officers, such as Dr. Underwood of Mississippi, who is here, and Dr. Chesley of Minnesota, and other

health officers, have been consulted with reference to these recommendations. We have had also medical representation in the group working with us in developing suggestions for title VII. Dr. Adair, professor of obstetrics in the University of Chicago, and a very eminent obstetrician; Dr. Grulee, professor of pediatrics in the Rush Medical College; and Dr. Grover Powers, professor of pediatrics in Yale University, were members of our advisory committee, and worked with us; and Dr. Eliot, the Assistant Chief of the Children's Bureau, is herself a pediatrician and associate professor of pediatrics at Yale. We have also conferred with other representatives of the medical profession with reference to the recommendations incorporated in this title of the bill.

I should also like to file with the committee a list of the members of the Children's Bureau Advisory Committees on Obstetrics and Pediatrics, who have worked with us for many years on the various aspects of our program relating to maternal and child health. I shall file a list of the committee members with the permission of the chairman.

Obstetric advisory committee:

Dr. Fred Adair, professor of obstetrics, University of Chicago.

Dr. Robert De Normandie, clinical professor, department of obstetrics, Harvard Medical School.

Dr. James L. McCord, professor of obstetrics, Emory University, Atlanta.

Pediatric advisory committee:

Dr. Richard M. Smith, professor of child hygiene, Harvard School of Public Health, representing American Pediatric Society.

Dr. Julius Hess, professor of pediatrics, Illinois Medical School, representing American Medical Association.

Dr. Samuel McClintock Hamill, chairman Pennsylvania Emergency Child Health Committee, representing American Academy of Pediatrics.

Dr. Howard C. Carpenter, representing American Child Health Association.

We have a maternal and child-health division, of which Dr. Eliot was the head until recently when she was promoted to the position of Assistant Chief of the Bureau, and we have a competent medical staff in the Bureau which of course would have to be enlarged to some extent to carry out the provisions of this act.

The types of demonstration service that might be carried on under this act are particularly important from the point of view of those States, shown on this map, and the groups of the population especially in need of attention—those in the rural areas, the Mexicans and other groups in special need. Such demonstrations would include those of administrative procedure and health services of an intensive nature such as were carried on a number of years ago by the Child Health Association and the Commonwealth Fund; studies of the adequacy of facilities for maternal care in communities of different types; study of infant mortality where it is particularly high; studies of nutritional condition of children and of the effect of inadequate food and dietary deficiencies on the growth and development of children; studies of the health and nutrition of adolescent children, both those entering industry and those in school; study of the causes of dental defects in children and pregnant mothers; and studies of nervous instability related to behavior problems.

If the committee wishes, I will proceed to the section of the bill dealing with the care of crippled children, section 702, page 54. This section of the bill provides for \$3,000,000 to be used, again in cooperation with the State agencies, in the provision of medical care and other services for crippled children, especially in rural areas, to be granted on a matching basis if possible, with certain exceptions when unusual need is shown.

The amount will be \$10,000 to each State and the remainder on the basis of need. This need refers not only to financial need, but also to the number of crippled children in different areas. I have here two maps showing the distribution of poliomyelitis in the States, and showing the shifts in the areas where that condition is prevalent. This map (indicating) shows the distribution of infantile paralysis, poliomyelitis, in the States, from 1915 to 1929. The yellow-colored States have less than 2 per 100,000 population; the black-colored States have 10 or more cases per hundred thousand; the purple-colored States, 6 to 10 cases per 100,000. The map for 1930 to 1933 shows the same thing, but it indicates the different distribution. You see that on this map (indicating) the black States show up somewhat differently than on the former map. We have felt that it was necessary to leave the allocation of the funds somewhat flexible so as to get promptly to the areas where there were prevailing conditions that were likely to lead to crippling and provide medical care and physiotherapy.

The CHAIRMAN. What does the white space on that map mean? That they have no cases at all?

Miss LENROOT. "Not reported." Kentucky shows "not reported."

The CHAIRMAN. Is that due to the inefficiency of the public-health service in that State?

Senator BARKLEY. Due to the efficiency. It has been eradicated. (Laughter.)

Miss LENROOT. Perhaps there was none to report. This form of care and service to children is very closely related to health and welfare services contemplated by the other sections of the bill, because of course, there are many conditions in the homes of the crippled children needing social-service attention. If we can get this public child health and welfare service extended throughout the poorer areas of the country, we shall avoid the situations which now exist in many places of having crippled children overlooked and neglected.

The CHAIRMAN. "Crippled children" is not confined to infantile paralysis?

Miss LENROOT. No. I have figures showing that in New Jersey, figures for a recent year showed one-third of the cases due to infantile paralysis. I presume the distribution would vary. It varies, I believe, from about 15 percent to about 51 percent in the various studies as to the causes leading to crippling.

The types of service that would be carried on here would be largely restorative, preventive, and medical and health services. The Children's Bureau would contemplate developing very close cooperative relationships with the Division of Vocational Rehabilitation in the Office of Education. That program provides about \$1,100,000 a year for the rehabilitation and education of employable persons disabled or physically handicapped, 14 years of age and over. The two programs could be well integrated, I think, and we have been in

consultation with members of the staff of the Division of Vocational Rehabilitation and also with others interested in this vocational-rehabilitation program.

Senator COUZENS. What problems have you with the blind?

Miss LENROOT. The problem of the blind, of course, is partly a medical problem and to a very great extent an educational problem.

Senator COUZENS. What I am trying to get at, are there any vocational efforts with the blind?

Miss LENROOT. Yes; I believe the blind would be included under the vocational rehabilitation; the blind, the deaf, and all types of physically handicapped would be included. There are only 10 States that now have anything like a State-wide system providing for the care of the kind contemplated in this bill. These States are Florida, Kentucky, Michigan, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Vermont, and Wisconsin.

There are a total of 35 States that have made provision of some kind for care and treatment, but in some of these States the amounts of money are very inadequate, as little as \$3,000 a year for the entire State. I might say that in conversation with some of the people interested in this study in the last few days, I have had instances brought to my attention of the extent to which services for crippled children have been curtailed because of financial conditions. For instance, I was talking the other day to a person who is concerned with the administration of the juvenile court work throughout a State, or was until recently. The juvenile courts in that State have jurisdiction over crippled children. He said that while he had no statistics available, he had conversation frequently with judges of the juvenile court, and that cases were brought to his attention where the judges, because of lack of funds, did not feel that they could commit children for care, and that in some cases where a judge formerly would have ordered an expensive operation, he now contented himself with ordering a brace for the limb of the child.

In other States also it has been reported to me that services formerly available had been curtailed during the depression period. The types of work that would be provided under this section of the act would include such things as location and registration of crippled children by surveys or by a school census; the development and extension of diagnostic and follow-up clinics, either permanent or itinerant or both, under the staff of a physician and nurse and assisted by county social workers, physiotherapists; and the provision of medical and nursing care and after care, in the child's home, in a hospital, in a convalescent home, or in a foster home. There might be a necessity of bringing some educational facilities to these children, especially in the rural areas, but the aim would be to coordinate this program with the educational program being carried on under the Division of Vocational Rehabilitation.

Now, Mr. Chairman, I think that concludes my statement. I shall be very happy to answer any questions.

The CHAIRMAN. Are there any questions?

(No response.)

The CHAIRMAN. The committee thanks you very much, Miss Lenroot and we may want you here later on when we begin to take up this bill paragraph by paragraph.

Miss LENROOT. I shall be very happy to be at the committee's disposal.

The CHAIRMAN. I desire to place in the record certain letters and statements relating to S. 1130, which have been submitted to me. (The letters and statements above referred to follow:)

NATIONAL CATHOLIC WELFARE CONFERENCE,
Washington, D. C., February 4, 1935.

Hon. PAT HARRISON,
Chairman Finance Committee, United States Senate,
Washington, D. C.

DEAR MR. CHAIRMAN: The administrative committee of the National Catholic Welfare Conference would not, of course, venture to express a detailed opinion on the proposed Economic Security Act as a blanket measure. Many expert minds were called into service in the compiling of that act; and to specialists, the wisdom of many of its measures must be left.

Everything that promotes just legislation, and particularly such legislation as is beneficial and helpful to our needy citizens in this time of wide-spread distress, has received and will receive the full support of the National Catholic Welfare Conference.

But the administrative committee of the National Catholic Welfare Conference respectfully submits that this proposed legislation, to be known under the title of the "Economic Security Act," should explicitly do justice to every agency that contributes to the public welfare.

The President and many other public leaders of the day have appealed time and again for the generous support of the private agency of prevention and relief. The private agency has played an essential part and is today playing an extended and essential part in the actual care of the unemployed, of the aged, of needy mothers, of the sick and injured, of the orphans, of those mentally or physically handicapped.

The administrative committee of the National Catholic Welfare Conference respectfully requests that this recognized and most laudable work of private institutions, fostered by the members of every religious denomination and of none—and always encouraged in our Nation's history by both State and Federal authorities—be not further burdened because of any unfavorable interpretation of any of the provisions of the proposed Economic Security Act; but that such legislation make it explicit that no State is prohibited, through acceptance of Federal funds, from using as agencies of relief and prevention the private institution, hospital or home. This legislation would then recognize—what is pre-eminently true—that the private institution is an essential element in the promotion of that self-sacrifice so necessary to the happiness and prosperity of our country.

Thanking you in the name of the administrative committee for the consideration you will give to its petition, we remain,

Respectfully yours,

JOHN J. BURKE, C. S. P.,
General Secretary.

AMERICAN CHILD HEALTH ASSOCIATION,
New York City, February 1, 1935.

Hon. PAT HARRISON,
Chairman Senate Finance Committee, Washington, D. C.

DEAR SENATOR HARRISON: May I be permitted to file this letter as a part of the Senate hearing concerning bill S. 1130, especially title VII and title VIII?

For 18 years I (Samuel J. Crumbine, M. D.) was engaged in the practice of medicine at Dodge City, Kans. I then became State Health Officer of Kansas, serving in that capacity for 19 years, and for 11 of these years as dean of the school of medicine of the University of Kansas. In 1923 I came to New York to the American Child Health Association, whose general executive I have been for 10 years.

The experience of these 48 years in private practice, and in public health, is the basis for my belief and conviction that there must be aggressive efforts looking toward the prevention of infant and maternal mortality, and the promotion of child health. The loss each year of about 14,000 mothers in childbirth means that a large proportion of the homes in which the deaths occur will be broken. The cumulative effect of this tragedy, during the years that have passed and in the years to come, is an appalling menace to the home which is the bulwark of our national and racial stability, and the foundation of our civilization. Among

older children the broken home is often a cause of delinquency. Because of the death of these mothers a mighty army of orphaned children is constantly growing, from which come the every increasing army of dependents and delinquents.

A number of years ago this very condition was so apparent to the social workers of the New York Association for Improving the Condition of the Poor that they organized a clinic for prenatal care, one of the first organized in this country for the purpose of not only cutting down the death rate of mothers, but also as a means for reducing the annual influx of dependent and delinquent children occasioned by the death of the mother and the consequent disruption of the family.

In my judgment prenatal clinics should be established all over the country in cooperation with the medical profession and under the supervision of the official agencies. This much-needed program might be attainable under the provisions of the security bill.

Health programs such as these are basic for economic and social progress and for the physical and mental development of the race.

Very truly yours,

S. T. CRUMBINE, *General Executive.*

THE JOHNS HOPKINS UNIVERSITY,
Baltimore, Md., January 29, 1935.

HON. PAT HARRISON,
Chairman Senate Finance Committee,
Washington, D. C.

DEAR MR. HARRISON: I am writing you as chairman of the Senate Finance Committee in reference to Mr. Wagner's bill S. 1130. I am particularly interested in paragraph 3 on page 52, under title VII, on maternal and child health.

Permit me to emphasize my belief in the need for special demonstrations and research in maternal care in rural areas and other aspects of maternal and child health. This work, if financed, would, I believe, be under the supervision of Dr. Martha M. Eliot, of the Children's Bureau, who is a person exceptionally qualified for both the planning and conduct of research in the field mentioned. I feel quite confident because of my long acquaintance with her that any funds made available for work in her department would be exceptionally well expended. Therefore anything you can do to promote the passage of the bill in such form that an adequate remainder of funds will go to the Secretary of Labor for use in work relating to maternal care and child health will be greatly appreciated.

Very truly yours,

E. V. MCCOLLUM.

HARTFORD, CONN., January 28, 1935.

HON. PAT HARRISON,
Chairman Senate Finance Committee,
Washington, D. C.

DEAR SIR: I wish to express myself as heartily in favor of the maternal and child health program outlined in Senate bill 1130, title 7.

I have practiced obstetrics in Hartford for 20 years and am convinced from my thorough knowledge of conditions throughout the State, in this field, that the rural areas of our State would benefit by the terms of this bill.

Very truly yours,

JAMES RAGLAN MILLER, M. D.

MICHIGAN CRIPPLED CHILDREN COMMISSION,
Lansing, Mich., January 28, 1935.

HON. PAT HARRISON,
Chairman Senate Finance Committee,
United States Senate, Washington, D. C.

MY DEAR SENATOR HARRISON: In reference to Senate bill 1130, section 702, the portion dealing with the care of crippled children, I wish to make the following suggestions for the consideration of the Ways and Means Committee of the House and the Senate Finance Committee.

First, it would occur to me that the term "crippled child" should be defined in this section and that the age limit should be 21 years, unless it is definitely determined that the definition should be left to each State individually, and that the

term "child" is universally accepted in this country as a person under 21 years of age. I would suggest as a definition the following:

"A crippled child, for the purposes of this act, is defined as one under 21 years of age whose activity is or may become so far restricted by loss, defect, or deformity of bones or muscles, or nerves involving bones or muscles, as to reduce his or her normal capacity for education and self-support; an orthopedic or plastic surgery case which has a definite crippling condition that actually or potentially handicaps the child educationally and/or vocationally."

We believe this is highly important: First, to establish a standard to be used in the various States; and, second, to simplify the problems of administration.

On page 54 of Senate bill 1130, line 4, there appears the statement: "the provisions of medical care and other services for crippled children." Unless it is felt that "other services" may properly be interpreted to refer to special educational advantages or transportation or maintenance for crippled children in the rural districts who cannot get to school because of physical limitations, I think that that phrase should be enlarged or clarified to include such services to crippled children.

Therefore, I would also suggest that in lines 14 to 18 on the same page, the following amendment which I have italicized:

"The remainder shall be allotted to States for purposes of locating crippled children, and of providing facilities for diagnosis and care, hospitalization, and after care *including education when not otherwise available*, especially for children living in rural districts."

On page 55, I would suggest a similar amendment in lines 15 to 19 to read as follows: "State plan must include reasonable provisions for State administration, adequate facilities for locating and diagnosing children, adequate medical care, hospitalization, and after care *including education when not otherwise available*, and cooperation with medical, health, *educational*, and welfare groups and organizations."

I might add that my 10 years' experience in Ohio and 4 years' in Michigan, as well as my investigations in many other States, have convinced me that one of the greatest types of neglect for crippled children lies in the inability of those living in rural districts to get the type of education which they should have, considering their handicaps. We have a record now of 700 cases in Michigan who have had about all the hospital treatment the State is justified in giving them and who are in rural homes or in other locations where it is impossible for them to get to school because of their physical condition.

The agencies in Michigan interested in the care, relief, and education of crippled children endorse section 702 of Senate bill 1130, and feel that it will be of inestimable value to this type of work in the United States if enacted into law.

The investigation of the White House Conference on Child Health and Protection lead to the conclusion that only a small proportion of the total number of crippled children in the United States have secured any kind of real service, and those receiving adequate care are very few considering the country as a whole. The report recommended Federal aid to "properly constituted State service." (Refer to pp. 173 and 178 of *The Handicapped Child*, published by the White House Conference.)

This report also stated that a Federal program should be one of consultation, education, and demonstration services with financial aid to States and territories and through them to local communities. That the Federal program should provide for a coordination of efforts with other Federal and State authorities and private agencies, as well as to carry on proper type of research to determine the best way to improve and enlarge existing State and local services. It set forth too that special emphasis should be given to the situation surrounding the crippled children of the rural communities.

We believe that this bill provides for the needs which were found in the investigation made by the White House Conference. The enactment into law would be a tremendous service to the crippled children of the United States and in our opinion is economically sound.

Very respectfully submitted.

HARRY H. HOWETT,
Secretary-Treasurer.

STATEMENT OF THE ASSOCIATED WOMEN OF THE AMERICAN FARM BUREAU
FEDERATION

The American Farm Bureau Federation has been a potent factor in the securing of legislation favorable to rural America for many years. At each succeeding session of Congress, its representatives have appeared in behalf of such measures, or vigorously opposed those which the organization felt were opposed to the best interests of agriculture.

Recently there has been formed an affiliate organization known as the "Associated Women of the American Farm Bureau Federation," whose purpose is to assist in an active, organized way in carrying forward such phases of the American Farm Bureau Federation programs as inevitably enlist the creative interest of women, namely, to help accent the fundamental importance of organized efforts to bring about better educational, social, and spiritual opportunities for rural people; to strengthen and support the extension organizations associated with home-demonstration work throughout the United States; to serve as a means for the exchange of experience in this field of adult education relating to home and community life; to provide nationalization for the State organizations of rural women in the United States, in order that they may participate in national councils of American women in cooperation with national organizations of city women and to give to the rural womanhood of America the means of expression and the strength that comes from unity in organized efforts that are dedicated to the development of a more abundant country life.

The influence of this organization, which is Nation-wide, reaches into every State where Extension Service and the Farm Bureau are laboring together for a better rural America.

It is a well-known fact that even at the peak of prosperity, four-fifths of the rural areas of the United States were without organized health service. No one can deny that maternity and infancy are without proper protection in most of our rural communities. The Associated Women of the American Farm Bureau Federation "count children as the best crop of the farm" and are glad to add their influence to help secure measures which will properly safeguard mothers and children. This principle has been oftentimes expressed by official resolution and presented by our representatives to congressional committees.

The Associated Women of the American Farm Bureau Federation hereby endorse those sections of S. 1130 and H. R. 4120 as relate to maternal and child health and child welfare.

Furthermore, the Associated Women of the American Farm Bureau Federation wish to endorse section 802 of S. 1130, provided that the words "particularly in rural areas", be inserted in line 23, after the words, "State health services."

Respectfully submitted.

MRS. CHAS. W. SEWELL,
*Administrative Director of the Associated
Women of the American Farm Bureau Federation.*

EMORY UNIVERSITY,
Atlanta, Ga., January 28, 1935.

HON. PAT HARRISON,
*Chairman of the Senate Finance Committee,
Washington, D. C.*

MY DEAR SIR: Please permit me the privilege of writing you concerning the economic security bill. I am particularly interested in the provision of the bill that has to do with maternal and child health.

I have been teaching obstetrics for 25 years. For the past 5 years I have been teaching obstetrics to rural doctors in five Southern States. This I have done by going directly to a group and staying for 5 days.

I was born and reared in the South and I know its people and needs. Being more familiar with maternal problems, I can more easily see the great need for help along those lines in our rural counties.

I think that a well-planned program, with competent supervision, can lower the maternal death rate in our rural counties at least 50 percent.

It will be of inestimable value in making our people think along public health lines. I urge your cooperation and support.

Very truly yours,

JAMES R. McCORD, M. D.

**STATEMENT OF JOSEPHINE ROCHE, ASSISTANT SECRETARY OF
THE TREASURY**

Miss ROCHE. Mr. Chairman and members of the committee; I wish to make only a brief statement personally regarding the public health provisions of title VIII, and its importance as a major factor in the development of a security program. Dr. Sydenstricker of the United States Public Health Service, under whose direction the staff of the Committee on Economic Security prepared the public health section of the Committee's report and the recommendations contained in title VIII is here to testify, and will be able to give you more comprehensively and effectively than I can, the part of this title in the general program. The Surgeon General of the United States Public Health Service, Dr. H. S. Cumming, is also here to discuss this title and to answer such questions as you may desire to ask him regarding the Public Health Service.

The title is short and very simple. It involves no new procedure or plan. It provides merely for progress along lines thoroughly tested and proved of great value in conserving human life and health.

The CHAIRMAN. It lays down no standards or rules?

Miss ROCHE. No new features; no.

The CHAIRMAN. Whenever they ascertain here that they need some assistance from the Federal Government, they make the allocation?

Miss ROCHE. The allocation is made on the basis of need.

The CHAIRMAN. It differs in that respect from the other provisions of the bill?

Miss ROCHE. Yes.

Senator COSTIGAN. Miss Roche, I notice an appropriation here of \$10,000,000 beginning with the year 1936. Does that cover all of the activities of the Public Health Service or is this in addition to the necessary appropriation for present activities?

Miss ROCHE. This is in addition, Senator, to the present appropriation, and it is the intent and understanding, I believe, of the bill to have it continued as additional to the regular appropriations.

As I was saying, the bill provides really for further progress along lines that have been thoroughly tested and approved and have proven to be of great value in conserving human life and human health. \$10,000,000 is appropriated for the year 1936, and the same amount is authorized to be appropriated annually thereafter, to be allocated to the United States Public Health Service to be expended as outlined in the bill.

\$8,000,000 of this amount is to be allotted by the United States Public Health Service to the several States and the District of Columbia, and Hawaii, Puerto Rico, and Alaska, in amounts determined on the basis of their respective needs, for the purpose of developing State health services, including the training of personnel for State and local health work, and of assisting counties, health districts, and/or other political subdivisions of the States in maintaining adequate public-health programs—programs which make practical application, for the benefit of all citizens, of approved public-health methods for the control of disease and improvement of community sanitation. Payment of any allotment or installment thereof is to be made only after the Secretary of the Treasury has made a finding of fact that there is need to make such money available in each State.

I should like to file as part of the record, as "Appendix A", a statement prepared by Dr. Waller, Assistant Surgeon General of the United States Public Health Service, in charge of the Bureau's States Relations Division, which gives in detail the need for the work provided for by section 802 of title VIII, the type of services which it would mean in States and local communities, and the administrative and cooperative procedure under which the work would be carried on.

The CHAIRMAN. We will be very glad to have you file it.

Miss ROCHE. Thank you. With this statement there are filed a few samples from hundreds of letters we have received from State health officials urging the need of this title.

The balance of the \$10,000,000, or \$2,000,000, title VIII provides shall be annually available to the United States Public Health Service for much-needed investigation into health and sanitation problems which affect all or most of our States, and for employing such Public Health commissioned officers and such experts and personnel from the civil service lists as are necessary to carry out the purposes of title VIII.

A supplemental statement by Dr. Thompson, Assistant Surgeon in Charge of Scientific Research of the United States Public Health Service, is hereby submitted, with the request it be made part of the record as "Appendix B." The statement reviews the needs for further investigation into such problems as stream purification, sewage and industrial waste disposal; the nature and prevention of water borne epidemics and diseases, the methods of malaria control; the investigation of health hazards, in industry, and practical methods for their control; the investigation of such diseases as rural epidemic typhus fever in a number of the Southern States, encephalitis or the so-called "sleeping sickness", infantile paralysis, and Rocky Mountain spotted fever which is now a problem in almost every State.

With your permission, I should like to file that brief statement also.

Senator COUZENS. Have you drafted anywhere any definition of the word "need"?

Miss ROCHE. No; not in this title, sir.

Senator COUZENS. It seems to me that there might be different interpretations of that word, and I was wondering whether there had been any definition drawn as to the word "need". I know that need exists where there is plenty of money sometimes, and there is need existing where there is no money.

Miss ROCHE. I would assume that where there is money, the idea would be the State or local community should be in every possible way urged to cooperate financially. I have no doubt that the members of the committee who prepared the report and the substance of the bill will be able to give you detailed information which I do not have, as a result of their discussions, on this administrative problem. I am somewhat handicapped by coming into this picture very late, sir.

Senator COSTIGAN. Miss Roche, I notice a reference to the employment of clerks, assistants, and others from eligible lists of the Civil Service Commission. Is the Public Health Service largely related to the civil service as to employment?

Miss ROCHE. Most of the Public Health Service officers on important administrative assignments are commissioned officers, appointed by the President and confirmed by the Senate after selection by a special examining board. All other personnel except commissioned officers, is from the civil-service lists.

Senator COSTIGAN. Is it true that most of the employees of the Public Health Service at present are under the civil service?

Miss ROCHE. Those that are not commissioned officers.

Senator BARKLEY. Which means that some of the positions, dentists and others who are not commissioned officers, have to take civil-service examinations?

Miss ROCHE. They are from the Civil Service lists. I think I am correct, if not, the Surgeon General can correct me. Are there any exceptions to that [addressing General Cumming]?

The CHAIRMAN. The Surgeon General will be on the stand and we can ask him.

Miss ROCHE. I think that practically all except commissioned officers, have to take civil-service examinations and they are taken from the Civil Service lists.

Senator COSTIGAN. Personally I am gratified to see this inclusion of the provision for civil service. It seems to me there has been a disposition to get away from it in some recent legislation, and I desire to develop the fact that the present service is largely under the civil service.

Miss ROCHE. Except for the commissioned officers, it is practically entirely civil service. There are probably a few exceptions where persons are employed locally on part-time duty.

Senator BARKLEY. Do you think that a civil-service examination can always develop who may be the one or two or the best of any number for a position?

Miss ROCHE. I think the civil-service regulations tend toward infinitely superior quality of service in the long run.

Senator BARKLEY. As a rule, as far as the employees are concerned, but I am wondering whether in the employment of doctors and lawyers, whether a civil-service examination really reveals the one best qualified.

Miss ROCHE. I think the Surgeon General could give you more adequate information on that. I am only a lay person, but that is my general impression.

The \$10,000,000 provided for in the title is but a very small part of the amount needed for public-health work to reach even a necessary minimum of efficiency. Not less than \$1 per capita has been found a necessary annual expenditure in communities with even moderately satisfactory health services. This would mean \$126,000,000 a year as a minimum estimate, for the country as a whole. States and local communities, however, are altogether spending but \$83,000,000 a year approximately. The Federal Government is spending on all human health services only about \$5,000,000 annually (4 cents per capita). This \$10,000,000 appropriation, therefore, still would leave a considerable responsibility on State and local governments for developing and maintaining adequate health services. It would, however, be an enormous help and stimulus in that work, particularly in making available the greatly needed trained Public Health personnel without which the program cannot satisfactorily be put into effect or make progress.

Senator GERRY. I do not understand you entirely on the statement that you have just made there. You say what amount as to the estimate by experts who have worked on the committee this summer was that about a dollar per capita is the minimum amount that will insure

even a moderately satisfactory health service, and many communities have spent more than that amount in what they feel are definitely satisfactory and economical results. The State and local governments today, in the country as a whole, are spending approximately \$83,000,000, and the Federal Government in all of its health services, human health services, about \$5,000,000, so that this additional \$10,000,000 appropriation makes \$98,000,000.

Miss ROCHE. It would still leave a large margin which we have got to work toward eventually.

Senator GERRY. How much is that margin? Have you the figures there?

Miss ROCHE. It would be \$126,000,000, the dollar per capita minimum amount, less \$98,000,000—the \$83,000,000 plus \$10,000,000 plus \$5,000,000—which would be a margin of \$28,000,000.

Senator GERRY. And are you recommending that the States raise that?

Miss ROCHE. There is no recommendation, sir, in the bill. I am simply pointing out that this \$10,000,000 in view of the conditions which I am going to refer to in a few minutes, is not excessive, but a very moderate step toward the conservation of the human resources of the country.

Senator GERRY. There are lots of the States that are doing a great deal more than others and that are pretty effectively running their health services, aren't there?

Miss ROCHE. There are some very effective health services in the country, and Dr. Sydenstricker and the other experts on the committee will no doubt go into a description of the work that is being done in those States.

Senator GERRY. What I was getting at is this, in other words, certain backward States would be helped by this extra appropriation, and the States that are doing the work would not be? It is aimed at the backward States.

Miss ROCHE. The basis of need, sir.

Senator GERRY. The basis of appropriation.

Miss ROCHE. Of population and of need. The fact that a State is absolutely handicapped by poverty would not mean that they could not get any assistance.

Senator GERRY. That would mean that they would have to get it from the Federal Government, would it not?

Miss ROCHE. Yes, through this appropriation. There is a definite latitude there in the provision, of course.

I think as we approach the problem we are all facing, from the public health angle, we are justified in having a special sense of the needlessness of much of our human waste because facts in this field show how much can be achieved in conserving human health and life when even moderate and intelligent provision is made for public health work. In those few communities where modern public health work has been consistently carried on with adequate funds and personnel, where health knowledge and health facilities have been available to the people, the burden of preventable illness and premature death has been lifted over a third. As a consequence of the achievements of research, the discoveries of medical science and their application to the prevention and treatment of diseases, there has been in recent years a decline in our general death rate—through 1933.

But we know, too, that of the 1,342,073 deaths that occurred in that year, at least 250,000 were from preventable causes. These deaths alone represented a money loss in human life value conservatively estimated at \$735,716,000. One hundred and twenty thousand babies under 1 year of age died in 1933. Half of these deaths could have been prevented, leading health authorities state. There were 74,000 deaths from tuberculosis in 1933.

This death rate, also, could have been cut by 50 percent, had known methods of prevention been available and used. Furthermore, although data for 1934 are not yet complete, for the first half of 1934 the gross mortality rate in cities of 100,000 population and over is reported to be appreciably higher than in the same period of 1933. Death rates and the depression have a definite relation when mortality figures are broken down. Recent surveys by the United States Public Health Service and the Milbank Memorial Fund, in 10 industrial localities, show that during the period 1929-32 the death rate in families with no employed members or part-time earners increased 20 percent, while in those families which had full-time wage earners it declined.

Equally important with death rates, perhaps more so, is the amount of preventable disabling illness that does not show in the mortality figures. In the study just referred to, it was found that families which had suffered the most decline in income from 1929-32 had a disabling sickness rate 50 percent higher than those whose economic status was not materially reduced. In 1933 more than 43,000 cases of typhoid fever alone caused an estimated loss of \$8,600,000 for medical care. Nearly 60,000 cases of diphtheria caused a loss of \$2,961,000. These two diseases are now regarded as almost entirely preventable if known methods of prevention could be universally applied.

A recent survey by the Public Health Service showed by actual blood test of only 200,000 people in 11 Southern States a total of 14,000 known cases of malaria. This survey was made during the winter when malaria is least active, and included only school children. It is estimated that in the whole population in the malarious section of the South there are, every year, at the height of the malaria season, probably 6,750,000 cases of malaria.

The first full-time county health unit in the United States was established as long ago as 1911. And yet, although 23 years have elapsed since its establishment, there are less than 600 counties with full-time health service in the United States today. Approximately 2,000 rural counties, containing more than 75 percent of our total rural population, are without any health service worthy of the name.

Many counties are too poor to provide adequate health service without aid from some outside source. Further, the actual prevention of sickness and deaths through public health service activities needs often to be conclusively demonstrated to local governing authorities before the soundness and economy of appropriations for health work is realized.

The situation in many of our smaller cities, and in some of the larger ones, is almost as bad as that existing in a large part of our rural area.

When the adequacy of the local health departments which exist is studied it is found that only a relatively small proportion, 21

percent (75 counties and 102 cities), have thus far developed a personnel and service which can be rated as even a satisfactory minimum for the population and the existing problems. The experience in cities in 1934 shows that health budgets have been reduced on the average about 20 percent from the experience of 1931, reductions varying from 1 or 2 percent to as high as 50 percent. Where this reduction has amounted to 30 percent or more practically complete breakdown of the public health protective facilities has resulted.

Nor is the need of Federal aid confined to rural and urban health organizations. Not more than half of the State health departments are adequately staffed or satisfactorily equipped to render the service which they alone can give regardless of the extent to which local facilities may be developed. Specific reference is made to divisions of vital statistics, laboratories and sanitary engineering service for the supervision of local water supplies, sewage disposal, and other environmental sanitation activities. At least a third of the States are not now able to promote the establishment of full-time local health departments or to give proper supervision to local health work, because of the lack of properly trained scientific personnel, capable of performing such duty on the State health department staff.

I think it is an interesting point, Mr. Chairman, to bear in mind that the staff of the Committee on Economic Security reported in its finding that families having an annual income under \$2,500 have an annual wage loss of \$900,000,000 due to illness, and that their costs of medical care are annually \$1,500,000,000—a total money loss of \$2,400,000,000.

Obviously these facts reveal not only conditions of needless human suffering and wretchedness, but definite economic waste. They call for the immediate extension of public health work and policies of proven worth, long recognized as humanly and financially sound and constructive. Title VIII provides for such a program of Nation-wide public health work, financially and technically aided by the Federal Government, but supported and administered by the State and local health departments. It is one of the most important steps toward our goal of conserving our human resources.

I think that completes my general references to title VIII. I have here, as I stated in the beginning, a few minor changes in the title which we have taken up with those who drafted the bill. They have the approval of the persons who drafted title VIII. They include the following:

Title VIII, section 802, line 21, after the word "States", insert "and the District of Columbia, Alaska, Hawaii, and Puerto Rico."

Section 802, line 25, after the word "counties" insert "health districts."

Section 803 (a), line 17, after the word "to" insert "pay the salaries and allowances of such additional regular commissioned officers, to".

Senator COUZENS. You have not enough commissioned officers now?

Miss ROCHE. It is quite possible under the development of this title that there would be more needed to carry out adequately any research and any assistance to the States.

The CHAIRMAN. Thank you very much Miss Roche.

Miss ROCHE. There are two minor changes also which I might leave for inclusion in the record.

(The same are as follows:)

Section 803 (a), line 22, after the word "expenses" insert "including printing and binding".

Section 803 (a), line 24. Strike out the period at the end of the line and insert in lieu thereof a colon followed by the words—

"*Provided*, That personnel of the Public Health Service paid from other appropriations may be detailed for carrying out the purposes of this title and when so detailed their salaries and allowances may be reimbursed out of the amounts made available in this section to the appropriation or appropriations from which paid."

Senator LONERGAN. Can you tell us how much of the rural area of the country is without doctors?

Miss ROCHE. I think if I might I would prefer to refer that to Dr. Sydenstricker or Dr. Falk, his assistant, who have studied that matter and who have it in much more satisfactory form than I have.

The CHAIRMAN. We will have them on next.

Miss ROCHE. If that meets with your approval?

Senator BARKLEY. How many counties did you say in the whole country are equipped with this rural-health organization?

Miss ROCHE. Only 75 counties and 102 cities, or 21 percent, have thus far developed a personnel and service which can be rated even as a satisfactory minimum.

Senator BARKLEY. What was the reference you made to some 600?

Miss ROCHE. There are less than 600 counties who have full-time health service, out of a total number of counties of about 3,000. I think the exact number is 528.

Senator BARKLEY. Seventy-one of those I will say are in Kentucky.

Miss ROCHE. You have a good set-up in Kentucky.

The CHAIRMAN. Thank you very much.

TITLE VIII. APPROPRIATIONS FOR PUBLIC HEALTH

SEC. 801. There is hereby appropriated, from funds in the Treasury not otherwise appropriated, the sum of \$10,000,000 for the fiscal year ending June 30, 1936, and there is hereby authorized to be appropriated for each fiscal year thereafter the sum of \$10,000,000 to be allocated to the Bureau of the Public Health Service to be expended as hereinafter provided.

LOCAL PUBLIC HEALTH SERVICES

SEC. 802. From the amounts appropriated under this title, the Bureau of the Public Health Service shall annually allot \$8,000,000 to the several States, the District of Columbia, Alaska, Hawaii and Puerto Rico, in amounts determined on the basis of the need of each State for such assistance, for the purpose of developing State health services including the training of personnel for State and local health work and for the purpose of assisting counties, health districts, and/or other political subdivision of the States in maintaining adequate public health programs. Payment of any allotment, or installment thereof, shall be made only after the Secretary of the Treasury has made a finding of fact that there is need to make such money available in such State, and has notified the Treasurer of the United States to pay such allotment or installment, and the amount thereof. Any money appropriated for the purposes of this section but not expended during the fiscal year shall be available for payment of allotments of the States in the next fiscal year.

BUREAU OF THE PUBLIC HEALTH SERVICE

SEC. 803. (a) From the amounts appropriated under this title, \$2,000,000 shall annually be available to the Bureau of the Public Health Service, for the further investigation of disease and problems of sanitation, and related matters. Out of the amounts made available in this section the Bureau of the Public Health Service is authorized to pay the salaries and allowances of such additional regular commissioned officers, to employ such experts, assistants, clerks, and

other persons in the District of Columbia and elsewhere, to be taken from the eligible lists of the Civil Service Commission, and to purchase such supplies, material, equipment, office fixtures, and apparatus, and to incur such travel and other expenses, including printing and binding, as it may deem necessary for carrying out the purposes of this title: *Provided*, That personnel of the Public Health Service paid from other appropriations may be detailed for carrying out the purposes of this title and when so detailed their salaries and allowances may be reimbursed out of the amounts made available in this section to the appropriation or appropriations from which paid.

(b) The Secretary of the Treasury shall make all rules and regulations necessary to carry out the purposes of this title.

ACTION OF THE COMPTROLLER GENERAL

SEC. 804. The Comptroller General is authorized and directed to allow credit in the accounts of the Treasurer of the United States for payment of allotments in the amounts notified him by the Secretary of the Treasury.

The following supplemental statements, etc., were submitted by Secretary Roche:

THE NEED FOR FEDERAL AID TO STATES, COUNTIES, AND CITIES

It should not be assumed that the Federal Government, in allotting \$8,000,000 a year to aid the States in the development and maintenance of adequate State and local health service, would be taking over in large part the maintenance of health service for the country as a whole. The financial burden of maintaining such service would still rest largely upon State and local government. In local communities where even reasonably adequate health service is now being maintained, the cost of such service is not less than \$1 per capita per year. Many of the leading authorities on public health in the United States today believe that \$2 per capita would come nearer to meeting the actual need for adequate health service. It will be readily seen, therefore, that the total cost of providing even reasonably adequate health service for every individual in the country will be, when such service is provided, not less than \$120,000,000 a year. While such a sum may seem surprisingly large in the aggregate, it is because we have not been accustomed to considering the cost of health protection for the Nation as a whole and have not given the functions of State and local health organizations the place of importance in governmental activity which they deserved. Reducing the total amount required to per capita cost per year, we find that the amount considered necessary for each individual is small in comparison with other per capita expenditures which must be made for food, shelter, clothing, medical care, education, and the like. Obviously, a contribution of \$8,000,000 a year from the Federal Government toward the cost of health service for the country as a whole will be but a small part of the total. It is likewise obvious that the responsibility for financing health work still will rest largely upon State and local authorities.

In spite of the amazing progress made within recent years in the development of better methods for the prevention of sickness and death, the ravages of diseases that could be controlled have continued to go on among our people in many sections of the country, for the reason that we have lagged behind lamentably in getting to a large proportion of our population, especially in the rural areas, the benefits of discoveries in disease prevention given to us by our research workers.

The first full-time county health unit in the United States was established as long ago as 1911. The soundness of the whole-time county or district health unit plan has been repeatedly demonstrated in many of the States. And yet, although 23 years have elapsed since the first full-time county health unit was established in this country, there are only 550 counties with full-time health service in the United States today. Approximately 2,000 rural counties, containing more than 75 percent of our total rural population, are without any health service worthy of the name. There are two important causes for the existence of this situation.

1. Many counties are too poor to provide adequate health service without aid from some outside source.

2. It is difficult to convince local governing authorities of the need for appropriations for health work until the actual prevention of sickness and deaths through public health activities can be conclusively demonstrated to them.

Little need be said with respect to the need for outside assistance to certain counties too poor to meet the entire cost of public-health service. In many of our States there are counties in which the taxable wealth or other source of revenue is so small that adequate local appropriations cannot be made for a health department without making the allotment for health out of all reasonable proportion to expenditures for other necessary functions of government. One of the purposes of the proposed \$8,000,000 appropriation is to aid State health departments in giving assistance to the counties in this group, to the end that the people in these communities may enjoy the benefits of health protection to which they are—certainly from a humane standpoint—entitled as citizens of this country.

With regard to the need for outside aid for demonstration purposes, it is well known to all national and State agencies who have endeavored to promote the expansion of full-time health service in the past that it is almost impossible to induce local boards of county commissioners to make the initial appropriation for the establishment of a new full-time county health unit unless financial aid can be offered from an outside source. The reason is not hard to understand; health work, to a large extent, does not deal with material things. It has for its objective the prevention of things that might happen in the future. The wisdom of expending public funds for school buildings and roads and for maintenance of our schools is apparent to anyone, because we see and use the buildings and roads and know that our children use the schools. Except to statisticians, who are trained to use death rates and other "measuring sticks" for demonstrating the effectiveness of health work, the anticipated results of such work are often not tangible. It is difficult therefore to persuade local appropriating bodies to provide funds to support an activity the result of which cannot be readily demonstrated in advance of the expenditure.

The situation in many of our smaller cities, and in some of the larger ones, is almost as bad as that existing in a large part of our rural area. There are numerous urban communities throughout the country in which such health activities as are being carried on today are under the direction of part-time physicians engaged in private practice, or lay health officers, neither with training in modern public health administrative practice. In some of these communities such health protection as had been afforded has been largely incidental to improvements instituted for economic and esthetic reasons, or to ready access of the population to good medical care, rather than a credit to activity of the health department. In many of our cities the chief health department activity still consists largely in the inspection of private premises for nuisances having little bearing on public health and an attempt to control communicable diseases through quarantine procedure—admitted by leading health workers, in this day of scientific control methods, to be of little avail in reducing the incidence of communicable diseases. More specifically it may be pointed out that many of the milk supplies for urban communities are still far from being as they should be, and that the unsightly, open-back, insanitary privy still exists in the outlying sections of most of our small cities, with the result that typhoid fever is rapidly becoming more prevalent in towns and small cities than in the rural areas.

Nor is the need for Federal aid confined to rural and urban health organizations. Not more than half of the State health departments are adequately staffed or satisfactorily equipped to render the service which they alone can give regardless of the extent to which local facilities may be developed. Specific reference is made to divisions of vital statistics, laboratories, and sanitary engineering service for the supervision of local water supplies, sewage disposal, and other environmental sanitation activities. At least a third of the States are not now able to promote the establishment of full-time local health departments or to give proper supervision to local health work because of the lack of properly trained scientific personnel, capable of performing such duty, on the State health department staff.

Before any worth while progress can be made in the extension of full-time local health service, there must be created in each State a reserve of trained health officers, public health nurses, sanitary engineers, and inspectors to fill the positions which will be established in the new units.

PREVENTABLE ILLNESS AND MORTALITY IN THE UNITED STATES

While it is true that the general death rate and the rates for tuberculosis and infant mortality for the country as a whole declined to the lowest figures on record in 1933, we should not be misled by this fact into the belief that further safeguards of the Nation's health are unnecessary. These death rates do not tell

the whole truth. As Dr. Edgar Sydenstricker,¹ one of the leading public health statisticians in the United States, recently said:

"The plain fact must be faced that notwithstanding great advances in medicine and public health protection, the American people are not so healthy as they have a right to be. Millions of them are suffering from diseases and thousands annually die from causes that are preventable through the use of existing scientific knowledge and the application of common social sense."

Ample evidence exists to support this sweeping statement.

Approximately 120,000 infants under 1 year of age died in 1933. Although our infant death rate has been reduced by half during the past 25 years, many of the leading sanitarians in this country believe that mortality in the infant age group can again be reduced by 50 percent. It is also confidently believed by some of the leading authorities on tuberculosis that the 74,000 deaths which occurred from this disease in 1933 could again be cut in half; and there is good reason to assume that, with proper health protection for prospective mothers, at least two-thirds of the 13,000 mothers who die each year in childbirth could be saved.

Examination of the following table, compiled from mortality figures of the United States Bureau of the Census, shows that, in spite of the low general death rate, a total of 246,272 deaths occurred in the United States, in 1933, from causes that may be classed as preventable.

Number of deaths in the United States, preventable diseases, 1933

Typhoid fever.....	4, 389
Paratyphoid fever.....	84
Typhus fever.....	81
Undulant fever.....	72
Smallpox.....	39
Measles.....	2, 813
Scarlet fever.....	2, 546
Whooping cough.....	4, 463
Diphtheria.....	4, 936
Influenza.....	33, 193
Dysentery.....	2, 814
Erysipelas.....	2, 017
Acute poliomyelitis, acute polioencephalitis.....	797
Epidemic encephalitis.....	1, 357
Epidemic cerebrospinal meningitis.....	1, 482
Anthrax.....	11
Rabies.....	65
Tetanus.....	1, 253
Tuberculosis of the respiratory system.....	67, 417
Other forms of tuberculosis.....	7, 419
Leprosy.....	27
Syphilis.....	11, 039
Gonococcus infection and other venereal diseases.....	998
Purulent infection, septicemia (nonpuerperal).....	931
Malaria.....	4, 678
Other diseases due to protozoal parasites.....	61
Ancylostomiasis.....	20
Scurvy.....	28
Beriberi.....	1
Pellagra.....	3, 955
Rickets.....	339
Pneumonia, all forms.....	86, 947
Total.....	246, 272

Typhoid fever and diphtheria, both now regarded as diseases easily prevented when known control measures can be applied, each took toll of more than 4,000 lives. Measles and whooping cough, often regarded by the uninformed as simple and relatively harmless diseases of childhood, killed respectively 2,800 and 4,400 in 1933.

¹ Health in the New Deal, Edgar Sydenstricker, the Annals of the American Academy of Political and Social Science, November 1934.

So far as the public was concerned, these appalling unnecessary losses of life went unnoticed, because of the lack of spectacular circumstances attending their occurrence; yet, had similar losses occurred in a series of single disasters, such as an earthquake or the sinking of an ocean liner, the Nation would have been shocked and our newspapers would have carried front-page headlines for days.

Nor do deaths alone tell the whole story. It is estimated that for each death from typhoid fever there are 10 cases; for each death from diphtheria, 12 cases. Although accurate figures are not available with respect to cases of preventable diseases for the country as a whole (for the reason that reporting of cases is not complete where satisfactory health organizations do not exist), it is believed that a conservative estimate will place the number of cases of typhoid fever at 43,000 and of diphtheria at 58,800, in the United States in 1933.

A recent survey by the Public Health Service showed by actual blood test of only 200,000 people in 11 Southern States a total of 14,000 known cases of malaria. This survey was made during the winter when malaria is least active, and included only school children. It is estimated that in the whole population in the malarious section of the South, there are, every year, at the height of the malaria season, probably 6,750,000 cases of malaria.

Coming to the venereal diseases, we find that 750,000 cases of syphilis seek treatment annually in the United States. Unfortunately, however, largely on account of ignorance of the nature of the disease or of the high cost of treatment and the lack of facilities for treatment at a cost that can be borne by the patient, more than half of these cases do not obtain treatment during the first 2 years of their infection. This 2-year period is the interval of greatest communicability and is of vast importance in the control of syphilis. Adequate treatment during this time will not only prevent the spread of this disease but also make possible the cure of the individual. For this reason it is of the utmost importance that adequate treatment facilities be made available for all indigent and borderline economic cases in both rural and urban districts of the United States.

The same factors in connection with the control of gonorrhea exist as in the case of syphilis control. About 679,000 new cases of gonorrhea annually seek treatment in this country.

This number does not give a true picture of the actual number of gonorrheal infections usually because many more patients with gonorrhea than with syphilis do not seek treatment. While the late and crippling manifestations of the gonorrheal process are not as marked as in the case of syphilis, the vast prevalence of gonorrhea makes the disease one of primary importance.

ECONOMIC LOSS FROM PREVENTABLE ILLNESS

As has been pointed out, nearly 250,000 of the 1,342,073 deaths that occurred in 1933 were from preventable causes. These deaths alone represented a money loss in human life value conservatively estimated at \$738,716,000. This does not take into account the enormous amount of preventable disabling illness that did not show in the mortality figures. More than 43,000 cases of typhoid fever alone caused an estimated loss of \$8,600,000 for medical care. Nearly 60,000 cases of diphtheria caused a loss of \$2,961,000. These two diseases are now regarded as almost entirely preventable if known methods of prevention could be universally applied.

The figures presented above do not take into account the enormous annual loss in man power and wages and the cost of drugs for self-medication caused by preventable disabling illness.

There recently was brought to the attention of the Medical Director of the Federal Emergency Relief Administration an instance in which \$784 was paid by a local relief administrator for medical and nursing care for two severe cases of typhoid fever in two relief beneficiaries who could not be placed in a hospital. Considering the severity of the cases, the amount paid for this service was not considered unreasonable. And yet the expense to the Government for this medical care might have been avoided through immunization of these two individuals at a cost of not to exceed \$2 each, including overhead, if health service had been available to them.

NEED FOR PERMANENT APPROPRIATION FOR FEDERAL AID

One of the chief obstacles to extension of county health work in the United States has been the uncertainty of Federal aid in the past. The comparatively small amounts available to the Public Health Service, up to this time, in its regular appropriations for rural health work have served only to assist with demon-

strations in a limited number of counties. Even when larger amounts have been made available to meet emergencies such as existed following the Mississippi flood and the drought of 1930, little permanent good resulted because many of the health organizations created through the use of these funds collapsed when the emergency appropriations were exhausted. The State health officers hesitate to attempt the extension of services dependent upon Federal aid when they cannot be assured that such aid will not be withdrawn at any time. To go forward with expansion of full-time health service on a broad scale, there must be some assurance, such as this measure will give, of continuity of program. Only when this assurance is given will it be possible for the State health authorities to plan a sound program for further development and to obtain funds from their own legislatures for the extension of local health work.

RESULTS OF HEALTH WORK IN THE PAST

There can be no doubt that the knowledge of scientific preventive methods in our possession today, if universally applied, would enable us to go far toward eliminating much of the unnecessary economic loss now chargeable to preventable diseases in this country. That intensive application of known scientific measures for communicable-disease control can completely eradicate certain diseases has been demonstrated repeatedly. The complete banishment of yellow fever from the United States, Cuba, and Panama afforded an excellent example. Bubonic plague was completely stamped out in San Francisco some years ago through the intensive application of rat control. Many other examples could be cited.

Even in face of the lack of adequate health service in much of our rural area and in many of our cities, remarkable progress has been made in the reduction of deaths from communicable diseases in the United States during the past half century. Fifty years ago infectious diseases prevailed to such an extent and were accompanied by such a high case fatality rate that fifteen-sixteenths of all deaths were chargeable to this group. Today, as a result of only a partial application of known scientific methods, deaths from communicable diseases have dropped to less than 50 percent of the total.

As has already been pointed out, the infant mortality rate in this country has been cut in half during the past 25 years, and leading authorities on public health confidently believe that it could be reduced by another 50 percent. The intensive treatment of syphilis cases in England has brought about a remarkable reduction in the prevalence of this disease in recent years in that country.

Numerous instances could be cited where intensive health work carried on by county health organizations has reduced sickness and mortality rates. A few examples will serve to illustrate what can be done when adequate health service is provided:

In Williamson County, Tenn., the health department conclusively demonstrated between 1927 and 1932 that maternal deaths could be greatly reduced in number when prenatal cases came under supervision of the department. With only 10.8 percent of mothers under supervision in 1927, the maternal mortality rate (deaths per 1,000 births) was 7.4, whereas in 1932, with 74.1 percent of mothers under supervision, the rate was 2.2 per 1,000 births.

In Sunflower County, Miss., through the operation of prenatal clinics for expectant mothers by the health department, the white maternal death rate was reduced from 7.4 to 0, and the colored from 16.9 to 8.4 between 1928 and 1931.

In the spring of 1911 an officer of the Public Health Service was detailed, at the request of the local government authorities and the State health department, to make a study of typhoid fever in the city of North Yakima, and the county of Yakima, in the State of Washington. The chamber of commerce of the city and county promised in advance to give active support to the measure which would be recommended for the control of the disease. The studies were made in cooperation with representatives of the State health department and the local part-time health agencies. The high rate of prevalence of typhoid fever with an annual death rate of about 200 per 100,000 population (over five times that for the United States as a whole) in Yakima City and County during the several previous years was obviously due to local insanitary conditions, the operation of which was augmented by climatic, irrigation, and soil factors.

A campaign of county-wide sanitation was inaugurated and carried out along lines in some respects comparable to those of a political campaign. The citizens generally became enthusiastically interested and in remarkable proportion applied at their homes the sanitary measures recommended. The home improvements, along with the mass sanitary measures carried out in North Yakima and in the towns and villages in the course of a few weeks, effected, in Yakima County as

a whole, a radical change. As the sanitary improvements proceeded, the typhoid fever incidence in the county, instead of rapidly increasing as usual in the early summer, markedly diminished. With a view to having the sanitary program continued, an effort was made, through organization of the aroused public sentiment for sanitation, to bring about the establishment of a permanent health-service unit for the county and city. By formal action of the county commissioners and the city council a full-time county health department for Yakima County was established and began operating as such on July 1, 1911. At the head of the unit was a physician trained in sanitary science, engaged under contract to serve in his official capacity on a whole-time basis. His assistants consisted of health nurses, sanitary inspectors, a bacteriologist, and an office clerk, each of whom also was engaged to serve on a whole-time basis. The whole-time health unit in Yakima County has continued in operation without interruption since its original establishment.

The Yakima County health department force continued the program of sanitation begun in the early summer of 1911 and performed other activities making for a well-rounded comprehensive program of county-city health work. In North Yakima, with a population of 14,082 in 1910 and of about 18,700 in 1914, the number of deaths from typhoid fever reported in the period of 7 years, including the year of the campaign (1911), was as follows:

In 1908, 25; in 1909, 20; in 1910, 30; in 1911, 6; in 1912, 4; in 1913, 3; in 1914, 2. Of the deaths in 1911, 1912, 1913, and 1914, 2, 4, 3, and 2, respectively, were of persons who had contracted the disease elsewhere and who were brought to the city for treatment. Thus, in the period of 3 years following the sanitary campaign and the establishment of the county health department, not a death from typhoid fever of local origin was reported in that city. In the county, outside North Yakima, deaths from typhoid fever were reported as follows: In 1910, 25; in 1911, 11; in 1912, 3; in 1913, none. Besides the notable reduction in typhoid fever, there was considerable reduction in the death rates from other preventable diseases. In the country as a whole the annual number of deaths from all causes averaged for the 3 years 1912-14 over 100 less than the number in 1910.

SEC. 803 (a), which makes \$2,000,000 annually available to the Public Health Service has three main factors involved:

(1) The employment of personnel necessary to maintain supervision and guidance over the expenditure of funds annually allotted to the States in section 802, and in such manner to render assistance to them in the continuous and steady development of State and local health services.

(2) The employment of professional, technical, and other personnel necessary to conduct the investigational work of the Public Health Service.

(3) The extension and broadening of the investigative work of the Service in relation to investigations of diseases, sanitation, and matters related thereto.

In connection with the administration of the funds provided for aid to States and research activities to be carried on by the Public Health Service, it will be necessary to have additional medical and sanitary engineer officers. The number of officers already in the Public Health Service who have the required training in public-health work and research methods will be entirely inadequate to meet the immediate demand for personnel of this type. The Public Health Service, therefore, must plan to secure from outside sources the highly specialized, thoroughly trained medical and engineer officers of ability that will be needed. It will be impossible to attract this type of personnel to the Service unless they can be offered either larger salaries than they are now receiving or other inducements. The advantages of a career in the Public Health Service in a commissioned status will, it is believed, attract at much lower entrance salaries, many individuals who otherwise would not be interested. This would enable the Public Health Service at once to secure the desired personnel at much less cost to the Government, probably as much as one-third less. Officers commissioned in the Service now would not for several years receive salaries equaling those now being paid to individuals of comparable ability in many State and local health departments. The technical and clerical personnel added to the Service under the authority of this section would be from the civil service eligible lists.

The major portion of the investigative work arises from three general sources:

(1) From problems which are interstate in character and which are brought to the Service by State health officials, through the cooperative work of the Service with the States.

(2) From problems which arise within the Service as a result of the responsibilities placed upon it by law, as for example, the development of biologic standards in connection with the control of biologics.

(3) From problems which the trends of public health indicate will be of national or international importance in both the fields of environmental sanitation and the control of disease.

It is evident therefore that to a large extent this investigative work of the Public Health Service is noncompetitive with the research work of universities or States.

It should be clearly understood that the additional funds which are appropriated under this section do not mean so much the development of new fields of investigational work in the Public Health Service as they do to allow a more immediate and broader study in the fields of work which the Service is at present carrying on and where problems of the greatest national importance have had to be refused or delayed because of the lack of necessary funds.

It would seem a corollary that the full benefits of the funds allotted to the several States for the promotion of public health cannot be achieved if the public-health problems with which these States and local subdivisions have to deal are not studied coincidentally and the information given to the health authorities of the States.

The public-health problems which are in need of immediate investigation fall in every field of the public-health work of the Service, but they may be illustrated by presenting a few of the more important.

The Public Health Service has been engaged in the study of stream pollution and sewage disposal for the past 20 years. Practically the whole urban population of the great middle western and southern parts of the United States are dependent upon the rivers of this country for their drinking water supply, and in addition they have used these rivers for the disposal of their sewage. This increasing pollution and, in addition, the dumping of the industrial wastes into these streams have made it imperative for the Service to investigate the biological facts in connection with stream purification and the necessary control of the situation through adequate sewage and waste disposal. It may be safely said that the fundamental biological principles of sewage disposal are still unknown. The Federal Government, States, and cities are contemplating the expenditure of billions of dollars for sewage-disposal plants, the principles of operation of which have not yet been determined.

In this same connection, during the drought several years ago the States of West Virginia, Ohio, Kentucky, Indiana, and Illinois were afflicted by a serious epidemic of diarrhea and dysentery which a cursory investigation made by the Public Health Service showed was probably of a toxic and not a bacteriological origin due to heavy pollution in streams abnormally low in water.

In addition the city of Louisville and others were unable to obtain filtered water free of objectionable tastes and odors. It is a serious thing when the water supply of a great city becomes objectionable to its people.

Another problem of importance and one which demands immediate attention is that of mottled enamel, a disfiguring condition of the teeth caused probably by excessive amounts of fluorine in the water supply. This disease which causes a stain of the teeth from a light yellow to a dark brown and which lasts for life develops in children born in areas of the country where the amount of fluorine in the drinking water is excessive. The Public Health Service has in the past several years made a fairly complete investigation in the States and has found 275 areas in 23 States where the condition exists. One of the most extensive areas is in the Panhandle district of Texas in which a large percent of the children are developing this condition. The population of this newly settled area has increased over 100 percent in the last 10 years so that the condition is becoming increasingly evident in the children who are beginning to develop their second teeth. The problem is not only one of public-health importance but of the greatest economic importance for it may form a serious barrier to the further settlement of this rich area. A study of the permissible amounts of fluorine in drinking water and of a method to remove excessive amounts is most urgently needed.

Malaria is still one of the most serious problems of our Southern States and with the development of great hydroelectric programs by the Federal Government and States further knowledge of control methods is imperative. Here again, the disease is not only of public-health importance but also of economic importance for each year malaria puts the wage earner out of the position as the supporter of his family and makes both him and his family dependent upon charity for their maintenance.

The extent to which malaria can and will be controlled depends almost entirely on the studies which the Service is making of different control measures under the different conditions found in the southern States. The secret of the success

of any control measure depends not only on its positive results but more so on the cost of the measure. If the cost is beyond the ability of the State or local government to meet, then malaria will continue to exist indefinitely.

It is toward the development of practical and economic control measures that the Public Health Service is working as rapidly as possible with its present limited funds.

There is probably no field of investigation where there is need for greater development than in industrial hygiene. Not only is every State affected but the great majority of the 45,000,000 persons in this country engaged in gainful occupations are directly or indirectly affected, as are their families.

The health hazards of industries are almost as diversified as are the number of different industries. Here again, the cost of investigations leading to the prevention of incapacitating industrial disease is extremely small compared to the economic values accruing to both industry and the industrial worker. With its limited funds the Public Health Service has contributed considerable aid in this special field. Acting as an impartial fact-finding body its investigations are accepted by the general public and by both labor and industry.

Its studies of the health hazards of the dusty trades, as far as time and funds have permitted, especially in the field of silicosis, a disease which affects workers in many industries wherever silica is used in the industrial process, serve as one of the principal guides for the control of the disease in this country.

Recently the study of anthraco-silicosis made in Pennsylvania at the request of the Governor of the State, the hard-coal industry, and the United Mine Workers forms the first complete outline of facts in relation to the development of this disease and the necessary methods for its prevention.

Similar studies of other dusty trades have been urgently requested of the Service but have been deferred because of limited personnel and funds.

As far as it has been possible, the Public Health Service has attempted to meet the demands of State health authorities in the investigation of diseases which are interstate in character or which have appeared in epidemic form. The ultimate control of all epidemic diseases, even the more common ones such as measles, diphtheria, and scarlet fever, can only come from continued epidemiological investigations of such diseases and by laboratory studies of the nature of the causative agent and the development of vaccines or serums for their prevention and cure.

In the past several years the Service has been called to help in study of the methods for the control of typhus fever, a disease which is endemic in most of our seaports, but has also become epidemic in rural areas in the South, especially Georgia, Alabama, and Texas, and which has been increasing at a rate of almost 100 percent a year.

In 1933 the epidemic of encephalitis at St. Louis resulted in an excellent cooperative investigation under the general direction of the Service with the State, city, and the universities of the city of St. Louis. Besides the pertinent facts gained in the epidemiological survey of benefit to the entire world, the virus of this disease was for the first time successfully transferred to animals, offering thereby an opportunity for the continued study of the disease in nonepidemic times.

Psittacosis or parrots' disease, which caused a number of epidemics and deaths throughout the United States, has almost completely disappeared through studies and control methods put into force by the State of California and the Service.

The prevention of Rocky Mountain spotted fever through the use of a vaccine discovered and perfected by an officer of the Service and produced only in the Montana laboratory of the Service appears at the present time our only means of combating this disease and its high fatality rate in the West.

Epidemics of infantile paralysis which occur in some State or city almost annually have required Service cooperation since the preliminary investigation of 1910. From field and laboratory studies in regard to this disease has come a substantial knowledge upon which hope of control and prevention can be based.

The cooperation of the Service in these matters from a national standpoint has made it possible to avoid unnecessary restrictions in commerce and in the travel of people which otherwise would have occurred.

The expectancy of life in the United States has considerably increased in the past 20 years. From our own studies, those of the Metropolitan Life Insurance Co., and the Milbank Memorial Fund, it can be definitely stated that this is due to the saving of lives in the younger age groups and not to any increased expectancy from an adult viewpoint. As Miss Wiehl of the Milbank Memorial Fund says, "Mortality among infants, children, and young adults has declined strik-

ingly, but among older adults death rates have actually increased during the past half century."

Such diseases as heart disease, which, according to Dr. Dublin, claim more victims than tuberculosis and cancer combined, diabetes, and cancer, are actually on the increase.

The Public Health Service has been able to contribute only a little to our knowledge of the causes and prevention of these diseases, due to the more immediate importance of other public-health problems. Their importance, however, is recognized and if the adult of today is to look forward to any increase in his expectancy of life it will be through an attack on these conditions.

Venereal diseases form one of our major social problems in causing disability during the most active years of life as well as contributing substantially to the death rate in the older age periods.

The Public Health Service has attacked these problems, first, in aiding States in the development of venereal-disease clinics for the treatment of those already infected, a measure which has been extensively tried out in England with an actual reduction in infected cases in the last few years; second, in cooperative studies with States and universities in studying the success of different forms of treatment in the cure of syphilis; third, the study of methods of making recently infected cases noninfectious in order to prevent the spread of the disease.

The continuance and expansion of such investigations form the only practical methods of bringing these diseases under control.

Again it has been physically impossible from the standpoint of personnel and expense to meet within a reasonable time the requests of State governments for studies of their State departments of health for the purpose of reorganization along effective lines and for assistance in developing logical and efficient ordinances in milk sanitation and control. The Federal Government's participation and leadership in this field depends entirely on its investigations of public-health procedures and their effect in the reduction of disease. The investigation of such procedures requires the most careful and tedious study but their value to the States is that they form the basis of successful accomplishment in public-health administration.

The few brief examples of the type of public-health investigations which are carried on by the Public Health Service do not in any way cover the whole field of public health, nor do they give any evidence of the number of similar problems of equal importance which are now before the Service. They do serve, however, to explain the interstate and national aspects of the investigational work of the Public Health Service which will be accomplished with the increased funds provided under this section.

There is appended herewith a brief history of the Division of Scientific Research of the Public Health Service, together with a statement of its major accomplishments since its inception in 1887.

HISTORY OF DEVELOPMENT

By successive laws enacted by Congress during the period 1799 to 1879, the public-health activities of the Service at the beginning of the year 1880 were concerned with the conduct of maritime quarantine, the taking of measures in the case of epidemics, the making of quarantine regulations for the prevention of the introduction of cholera, the collecting of sanitary data and publishing of the Public Health Reports, and cooperation with State and local authorities in the prevention of the introduction of infectious and contagious diseases.

ESTABLISHMENT OF THE HYGIENIC LABORATORY—NOW CALLED THE "NATIONAL INSTITUTE OF HEALTH"

Independent studies of yellow fever and other diseases were made necessary on account of their occurrence in epidemic form, and it became apparent that provision should be made for conducting studies relating to the public health. In 1887, therefore, the hygienic laboratory was established at the Marine Hospital, New York, for investigations of contagious and infectious diseases and matters pertaining to public health. Its first director was Passed Assistant Surgeon J. J. Kinyoun.

With the establishment of this laboratory the work of the Service in the field of scientific research had its definite origin. Scientific studies and investigations of yellow fever, cholera, malaria, tuberculosis, pneumonia, and the potency of various gaseous disinfectants were immediately undertaken, and the officer in charge of the laboratory was detailed to make observations and studies in foreign

laboratories in order that he might conduct the work of the hygienic laboratory in accordance with the best thought at the time.

A second, though temporary, laboratory was established in 1889 at the quarantine station at Key West on Dry Tortugas Keys for the specific purpose of making studies of yellow fever.

In 1891 the removal of the Bureau headquarters to the Butler Building, across from the south end of the capitol, made possible the transfer of the hygienic laboratory from the Marine Hospital in New York to the upper story of the new building. The change was deemed advisable in order that the laboratory might be more available for service in connection with other institutions and that better supervision in the work might be conducted.

Leprosy commission formed.—A commission for studying leprosy in the United States was appointed in 1899.

Plague laboratory opened.—The following year witnessed the establishment of the Federal plague laboratory at San Francisco. The latter was made necessary by the appearance of plague on the Pacific coast in 1900, and the successful results accomplished in fighting the disease must be attributed in part, at least, to the work done at that laboratory.

Upon the second appearance of plague in San Francisco in 1907, the same agency was again utilized to determine the extent of the infection, and following the discovery that ground squirrels were infected with plague, a branch plague laboratory was established in the region of their habitat in order to extend the scientific investigations into this fertile but hitherto unrecognized field.

HYGIENIC LABORATORY BUILDING PROVIDED

In 1901 the work of the hygienic laboratory had increased to such proportions that a proper building was necessary, and by an act of Congress approved March 3, 1901, an appropriation of \$35,000 was made for an additional building for investigations of contagious and infectious diseases and matters pertaining to the public health. Approximately 5 acres of land which were a part of the old naval hospital grounds were transferred to the Treasury Department as a site for the new building.

Passed Assistant Surgeon M. J. Rosenau, who was the director of the hygienic laboratory, recommended that the main work of the laboratory be divided into four large divisions: (1) Chemistry division, (2) biological division, (3) pharmaceutical division, and (4) pathological division, with a chief for each division. These recommendations were put into effect by an act of Congress July 1, 1902, provision then being made for a director of the hygienic laboratory and for placing certain persons in charge of the divisions of chemistry, zoology, and pharmacology.

DIVISION OF SCIENTIFIC RESEARCH ORGANIZED

The organization of a Bureau division of scientific research was effected September 1901. By an act of Congress approved July 1, 1902, this and other divisions of the Bureau received definite status in law and authorization was given for the appointment of assistant surgeons general in charge of them.

The affairs of the hygienic laboratory, so far as they required Bureau action, were included in this division. By an act approved July 1, 1902, Congress reorganized the Marine Hospital Service into the Bureau of Public Health Service, and the following sections of this act have a direct bearing on the developments of the division:

"SEC. 5. That there shall be an Advisory Board for the Hygienic Laboratory provided by the act of Congress approved March 3, 1901, for consultation with the Surgeon General of the Public Health and Marine Hospital Service relating to the investigations to be inaugurated and the methods of conducting the same in said laboratory. The Board shall consist of three competent experts to be detailed from the Army, the Navy, and Bureau of Animal Industry * * * which experts with the Director of the said laboratory shall be ex officio members of the Board and serve without additional compensation. Five other members of said Board shall be appointed by the Surgeon General of the Public Health and Marine Hospital Service with the approval of the Secretary of the Treasury who shall be skilled in laboratory work in its relation to the public health, and not in regular employment of the Government * * *.

"SEC. 6. That there shall be appointed by the Surgeon General with the approval of the Secretary of the Treasury, whenever in the opinion of the Surgeon General commissioned medical officers of the Public Health and Marine Hospital Service are not available for this duty by detail, competent persons to take charge

of the divisions, respectively, of chemistry, zoology, and pharmacology of the Hygienic Laboratory * * *."

CONTROL OF BIOLOGIC PRODUCTS AUTHORIZED

In addition to the above, another act of Congress was approved July 1, 1902, entitled "An act to regulate the sale of viruses, serums, toxins and analogous products in the District of Columbia, to regulate interstate traffic in said articles, and for other purposes." This act and the regulations drawn up in accordance with it, required that establishments manufacturing biologic products be inspected by a medical officer of the Service and upon his report, when acted upon by the sanitary board of the Service, is based the decision whether establishments shall be granted licenses for the manufacture of these products.

Research division of the connecting link.—The Division of Scientific Research of the Public Health Service thus became in 1902 the connecting link between the administrative office and the several scientific laboratories.

Leprosy investigations established.—The work of the division was continued along similar lines with some enlargement of the laboratories until 1905 when, as a result of the studies of leprosy conducted by the Commission of 1899, provision was made by Congress March 3, 1905, for an investigation station in Hawaii which should be devoted to studies of leprosy and the care of lepers in the island.

CHARACTER AND GROWTH OF SCIENTIFIC WORK

By the end of the fiscal year 1906 the activities of the Service had resulted in a gradual but steady increase in the work of the Scientific Research Division.

The necessity for scientific investigations which involved far more than purely laboratory work frequently arose and it became one of the duties of the Division of Scientific Research to designate its officers who could conduct such work to the best advantage, even though they were not at the time on duty at the laboratory, and to supplement such investigations by the technical skill of men in one or other of the laboratory divisions.

In the work of the division up to the year 1912 there was a steady growth which included participation in the work of the Puerto Rico Anemia Commission, investigations of Rocky Mountain spotted fever, the operation of the Yellow Fever Institute, studies of the phenomena of anaphylaxis, special studies of milk in relation to public health, and the standard unit for tetanus antitoxin which has been devised came into general use. In 1908 studies of pellagra were undertaken and antirabic treatments were made available for shipment to State boards of health. In 1909 studies of Mexican typhus fever were undertaken and its transmission by body lice proven. Studies of health problems in rural districts were begun. In 1910 sanitary surveys of the pollution of navigable waters were begun and in 1912 investigations of trachoma among the Indians and eastern mountaineers were made and systematic preventive measures among the latter were advised.

FIELD INVESTIGATIONS AUTHORIZED

It had long been recognized that there was need of additional authority to undertake systematic field investigations of scientific and practical public health problems, and by an act of Congress approved August 14, 1912, the name of the service was changed from the Public Health and Marine Hospital Service to the Public Health Service, and its powers were broadened as follows:

"The Public Health Service may study and investigate the diseases of man and conditions influencing the propagation and spread thereof, including sanitation and sewage and the pollution either directly or indirectly of the navigable streams and lakes of the United States, and it may from time to time issue information in the form of publications for the use of the public."

The enactment of this law marked the beginning of a new epoch in the development of public-health work by the Government.

Organization of field work.—The organization of the work of the Division of Scientific Research may be conveniently divided into two general fields, laboratory stations and field offices, although the work of the two are so interrelated that no arbitrary boundary can be set.

LABORATORY STUDIES

Four laboratory stations are operated by the Division: The National Institute of Health (formerly the hygienic laboratory), Washington, D. C.; the stream pollution laboratory, Cincinnati, Ohio; the Rocky Mountain spotted fever lab-

oratory, Hamilton, Mont.; the cancer investigations laboratory, Harvard Medical School, Boston, Mass.

The National Institute of Health.—The developments of the National Institute of Health (formerly the hygienic laboratory) have already been referred to. By the act of October 30, 1918, Congress authorized the second building at a limited cost of \$250,000, and again on May 26, 1930, under the so-called "Ransdell bill," Congress changed the name of the hygienic laboratory to that of the National Institute of Health, and authorized the construction and equipment of additional buildings in the amount of \$750,000. This act also authorized the Secretary of the Treasury to accept on behalf of the United States gifts made for the study, investigation, and research into the fundamental problems of diseases of man and matters pertaining thereto and for the acquisition of grounds or for erection, equipment, and maintenance of buildings, and the Surgeon General with the approval of the Secretary of the Treasury was authorized to establish and maintain fellowships in the National Institute of Health from funds donated for this purpose. It also granted authority for scientists who were selected and appointed as fellows to prosecute their investigations in other localities and institutions than the National Institute of Health and in this and other countries during their term as fellows, and provided that facilities of the Institute could be made available to bona fide health authorities of States, counties, or municipalities for purposes of instruction and investigation.

A previous act in the same year, namely, April 9, 1930, authorized the Surgeon General of the Public Health Service to detail personnel of the Public Health Service to educational and research institutions for special studies of scientific problems relating to public health and extended the facilities of the Public Health Service to health officials and scientists engaged in special studies. In addition, the Secretary of the Treasury was authorized to establish additional divisions in the National Institute of Health as he might deem necessary to provide agencies for the solution of public health problems, and facilities therein for the coordination of research by public health officials and other scientists and for demonstrations of sanitary methods and appliances.

In 1934 the Secretary of the Treasury allotted \$100,000 for an experimental station for the breeding and rearing of pure strains of animals used by the National Institute of Health in connection with the control of biologics. Ninety acres of ground have been offered by a private citizen of Bethesda, Md., as a gift to the Secretary of the Treasury for the National Institute of Health for this purpose.

Stream pollution laboratory.—In 1913 under the direction of Surg. W. H. Frost, the old Marine Hospital at Cincinnati, Ohio, was put into condition and began operations as a laboratory for studies in stream pollution and sewage disposal.

Rocky Mountain spotted fever laboratory.—The studies of Rocky Mountain spotted fever which began early in the present century were finally concentrated at the field laboratory of the State of Montana at Hamilton. Under an act of Congress, February 27, 1931, the Secretary of the Treasury was authorized to purchase this laboratory and to erect a second laboratory at a limited cost of \$75,000 each. Since that time funds have been secured from the Public Works Administration in the amount of approximately \$180,000 for the erection of animal buildings and quarters.

Cancer investigations laboratory.—This laboratory was established in 1922, occupying space in the section of preventive medicine and hygiene at Harvard Medical School, Boston, Mass. Through the courtesy of that institution this laboratory has been developed and maintained since that time.

FIELD INVESTIGATIONS

The field investigation offices of the Public Health Service are developed and maintained in accordance with the necessity arising in their particular fields of work. These offices are not permanent institutions but their work may be enlarged or terminated or additional offices may be established as the demand of research work of the Public Health Service indicates. At the present time these field offices consist of heart disease investigations (in cooperation with the National Institute of Health and the University of Pennsylvania); leprosy investigations; malaria investigations; nutritional disease investigations; plague investigations; Rocky Mountain spotted fever investigations; child hygiene investigations; milk investigations; Public Health methods investigations; statistical investigations; industrial hygiene and sanitation investigations; amebic dysentery investigations; encephalitis investigations, and poliomyelitis investigations.

ACHIEVEMENTS OF THE DIVISION OF SCIENTIFIC RESEARCH IN THE FIELDS OF MEDICAL AND PUBLIC HEALTH SCIENCES

It is not believed desirable to set down the many contributions of the Division of Scientific Research of the Public Health Service in the fields of medical and public-health sciences. There are, therefore, tabulated below only the outstanding achievements of the laboratories and field offices of the division.

LABORATORIES

National Institute of Health:

- Control of biological products for human use. Six official standards devised and promulgated as follows: Diphtheria antitoxin, scarlet fever streptococcus antitoxin, tetanus antitoxin, botulinus antitoxin, perfringens antitoxin, and gas gangrene antitoxin (*Vibrion septique*). In addition, preparation and distribution to commercial laboratories of technic for 12 official tests. Thirty-nine domestic and 10 foreign establishments holding licenses as of December 1934.
- Prevalence and geographic distribution of hookworm disease in the United States. 1903. Stiles.
- Rocky Mountain spotted fever. Identification of the carrier tick; Anderson, 1903. Zoological investigation into the cause, transmission, and source; Stiles, 1905. Preparation of a prophylactic vaccine; Spencer, 1924. Identification of the disease in the eastern part of the United States; Badger, Dyer, and Rumreich, 1931 (Rocky Mountain spotted fever laboratory and National Institute of Health).
- Anaphylaxis (simultaneously with R. Otto, Vienna); Rosenau and Anderson, 1906.
- Origin and prevalence of typhoid fever in the District of Columbia. Facts developed in these investigations contributed largely to the 10 years' campaign for general sanitation waged by the service and State health departments; Rosenau, Lumsden, Kastle, Goldberger, Stimson, Stiles, 1907-10.
- Milk and its relation to the public health; various workers, 1908.
- Observations on administration of thyroid substance developed a biological method for standardization of thyroid hormone; Hunt and Seidell, 1909.
- Fundamental investigations of oxidases; Kastle, 1909.
- Chemical tests for blood; Kastle, 1909.
- Studies of synthetic cholin derivatives opening up a wide field of physiological research; Hunt and Taveau, 1909-10.
- Tularemia; plague-like organism identified; McCoy and Chapin, 1909. Etiology; Francis, 1919-21. Geographic distribution and visibility of organism; Francis; subsequent to original studies.
- Facts and problem of rabies; Stimson, 1910.
- Infections period of measles; Anderson and Goldberger, 1911.
- Typhus; relation of Brill's disease to typhus; Anderson and Goldberger, 1912. Experimental transmission of endemic typhus by rat flea; Dyer, Ceder, Rumreich, and Badger, 1931.
- Method of standardizing disinfectants; Anderson and McClintic, 1912.
- Pellagra; Goldberger, Wheeler, Waring, and Willets, 1915.
- Studies on reconstructed milk; Phelps, Stevenson and Shoub, 1919.
- Trinitrotoluene poisoning; Voegtlin, Hooper, Elvove, Livingston, and Johnson, 1920.
- Studies of oxidation reduction phenomena with special reference to its biological significance; Clark, Elvove, Gibbs, Cohen, and Sullivan, 1920-27.
- Development of a specific test for cysteine and its utilization in biological investigations; Sullivan, 1921-24.
- Amebiasis; 20,000 specimens from returned soldiers examined with negligible findings; Stiles, 1921. Chicago epidemic and uncovering of carrier problem; McCoy, 1934 (studies still under way).
- Studies on alum process for clarification of water leading to practical improvements; Miller, 1922-25.
- Identification of pellagra with blacktongue of dogs; Wheeler, Goldberger, and Blackstock, 1922. Experimental blacktongue; Goldberger and Wheeler, 1928.
- Pollution of underground water; Stiles and Crohurst, 1923.
- Botulism; studies of causative organisms; Bengtson, 1924.
- Relation of contagious abortion of cattle to undulant fever of man; Evans, 1923.

National Institute of Health—Continued

- A new vitamin, B₂, found in brewers' yeast; Smith and Hendrick, 1926.
- Tetraethyl lead in gasoline; Leake et al., 1926.
- Encephalitis; etiology of epidemic encephalitis; Evans and Freeman, 1926.
- Postvaccinal; Armstrong, 1929. Isolation of a new virus; Armstrong and Wooley, 1934.
- Tetanus following vaccination, avoidance of shields; Armstrong, 1927.
- Fundamental studies of the sugars including development of improved methods of preparing various sugars for use in bacteriology; Hudson, Jackson, Hann, Hockett, Merrill, and Montgomery, 1928 (and still under way).
- Infective agent of psittacosis; Armstrong, McCoy, and Branham, 1930.
- Use of convalescent blood for treatment proposed; Stimson, 1930.
- Identification of adulterant causing "ginger Jake" paralysis; Smith, and Elvove, 1930.
- Prevention of fatal bichloride poisoning by use of formaldehyde sulphonylate; Rosenthal, 1933-34.

Stream Pollution Investigations:

- Studies on the treatment and disposal of industrial wastes.
 - Treatment and disposal of strawboard wastes.
 - Purification of tannery wastes.
 - Purification of tomato canning wastes.
- Studies of the pollution and natural purification of streams.
 - Plankton and related organisms.
 - Factors in the phenomena of oxidation and reaeration.
 - The oxygen demand of polluted waters.
- Studies of the efficiency of water purification processes.
- Studies of the pollution and natural purification of the Ohio River, Illinois River, and Mississippi River.
- Laboratory and experimental studies of water purification.
 - Hydrogen ion concentrations in relation to the formation of floc in alum solutions.
 - The ortho-tolidine reagent for free chlorine in water.
 - Effects of modifications in coagulation-sedimentation on the bacterial efficiency of preliminary water treatment in connection with rapid-sand filtration.
 - Prechlorination in relation to the efficiency of water filtration processes.
 - Influence of the plankton on the biochemical oxidation of organic matter.
 - Rate of disappearance of oxygen in sludge.
 - Dissolved oxygen in the presence of organic matter, hypochlorites and sulphite wastes.
 - Nitrification in sewage mixtures.
- Treatment and disposal of sewage.
 - Studies of the excess oxygen method for the determination of biochemical oxygen demand of sewage and industrial wastes.
 - Studies of the biological processes in activated sludge.

Cancer Laboratory:

- Studies of the biological action of X-rays and electro-magnetic radiation.
- Cytological studies in relation to the growth of normal and malignant tissue.
- Studies of the carcinogenic substances in the genesis of tumors.
- Studies of the resistance and susceptibility of malignant growths.
- Studies of the effect of certain bacterial products on malignant growths.

FIELD INVESTIGATIONS**Milk Investigations:**

- Development of the Public Health Service Milk Sanitation Code (now adopted by over 600 municipalities).
- Studies of the processes for pasteurization of milk supplies which lead to the development of design and operation specifications for pasteurization machinery.

Studies of Public Health Methods:

- Determination of the effectiveness and economy of public health practices.

Statistical Investigations:

- Studies of the principal causes of illness and the elements of population most seriously effected.
- Studies of the common cold and related respiratory diseases in inter-epidemic periods.

Child Hygiene Investigations:

Studies in relation to the growth and development of children.

Industrial hygiene investigations:

Development of survey methods for the determination of industrial hazards.

Studies of the health of workers in dusty trades.

Studies of specific industrial poisons:

Carbon monoxide.

Lead.

Radium (painting watch and clock dials).

Benzol.

Methyl and ethyl bromide.

Methyl and ethyl chloride.

Ethyl benzene.

Ethylene oxide.

Ventilation studies:

Efficiency of ventilating devices as found in actual practice.

Studies of industrial dermatitis.

Studies of abnormal temperature and humidity.

Studies of illumination.

Effects of certain sizes of windows, and ceiling heights on the distribution of natural illumination.

Malaria investigations:

Determination that *A. quadrimaculatus* is the principal vector of malaria in the United States.

Studies of malaria control through (1) drugs, (2) screening, (3) drainage, (4) larvicides, and (5) biological methods.

Studies of laboratory propagation of mosquitoes and malaria therapy of syphilis of the central nervous system.

Studies of convection of mosquitoes in airplanes to the United States from other countries.

Heart disease:

Production of rheumatic heart disease in animals by means of scurvy diet and injection of streptococcus toxin.

Nutrition:

Studies of fluorides in relation to mottled enamel in children.

Study and determination of the pellagra-preventive foods.

Leprosy investigations:

Epidemiological considerations in the study of leprosy.

Determination of the probable mode of infection in rat leprosy.

Studies of the relationship of rat and human leprosy to the diet.

 USE OF THE PROPOSED FUND FOR AID TO STATES

It is proposed that the \$8,000,000 to be appropriated annually for aid to States would be used in the following manner:

1. To strengthen service divisions of State health departments.
2. To assist in providing adequate facilities in State health departments especially for the promotion and supervision of full-time city, county, and district health organizations.
3. To give, through the State health departments, direct aid towards the development and maintenance of adequate city, county, and district health organizations.
4. To assist in developing trained personnel for positions to be established in the extension of city, county, and district health organizations.
5. To provide, through the State health departments, aid in the purchase of biological products and other drugs needed for individual immunization and other preventive activities among the poor.

While it is considered unlikely that all of that part of the \$8,000,000 allocated to aid of State and local health organizations which would be used for the development and maintenance of full-time county or district health units could be utilized satisfactorily in the organization of such units during the first year, it is proposed that the funds available for this purpose could be used to great advantage temporarily to aid the most needy of the 2,000 counties now without any health service whatever in providing at least a public health nursing service until adequate full-time health service under full-time specially trained medical health officers can be established.

With respect to the basis for distribution of the \$8,000,000 fund among the several States, the bill provides that the allotments should be made according to the demonstrated need in each State. In determining such need, it is proposed that consideration be given to size of population, but with due regard to other factors involved.

It is proposed that funds would be allotted to the States on the basis of budgets showing contributions from State and local sources for each project for each year, and that the maintenance of certain generally accepted standards of personnel qualifications and service would be required.

The attached statement shows the organization and functions of a county or district health unit.

In spite of the curtailment of appropriations for health work in recent years there is at present a shortage of individuals trained for health work. The public-health field has not heretofore attracted a surplus of trained workers, for the reason that the slow development made opportunity for employment too uncertain.

Should the Federal, State, and local governments join in a movement for rapidly extending full-time local health service throughout the country, the first step must be the training of a large number of workers. It would be useless and wasteful to attempt further expansion without first creating a reservoir of trained workers. It is believed that the Federal Government should do its part toward the training of this personnel, and since the types of young physicians and nurses usually selected for health work are not usually able to provide support for themselves during the training period, it is considered proper that they should, while training, receive a small stipend sufficient to meet their living expenses. The Rockefeller Foundation, which has for some years contributed annually to the training of selected groups of young physicians for health work, has made a practice of allowing a living stipend to trainees.

THE ORGANIZATION AND FUNCTIONS OF A COUNTY HEALTH UNIT

State Health Department:

Division of county health work (general supervision and technical advisory service).

County Health Department:

County board of health (determination of policies and promulgation of regulations).

County health officer (direction of executive staff):

Public-health nurses.

Sanitary inspectors.

Milk and food inspector.

Laboratory technician.

Clerk.

ACTIVITIES

1. Educational:

a. Health lectures.

b. Bulletins distributed.

c. Newspaper articles.

d. Letters.

e. Health exhibits.

2. Sanitary inspection:

a. Private premises.

b. Schools, stores, camps, etc.

3. Special inspections:

a. Dairies.

b. Other food handling places.

4. Examinations:

a. Life-extension advice.

b. Diagnostic clinics for mothers and infants.

c. Food handlers.

d. Diagnostic chest clinics for tuberculosis.

5. Communicable disease control:

a. Visits to cases.

b. Advice to mothers on preventive measures.

c. Isolation of cases and quarantine of contacts.

6. Immunizations:

a. Antityphoid vaccinations.

b. Smallpox vaccinations.

c. Diphtheria prevention (toxin-antitoxin and toxoid).

d. Schick tests.

7. Child hygiene:

a. Prenatal:

1. Cases visited and advised.

2. Office conferences.

3. Group conferences.

4. Midwives instructed.

ACTIVITIES—continued

7. Child hygiene—Continued.
 - b. Infant and preschool:
 1. Babies and children examined.
 2. Advisory office consultation, mothers.
 3. Group conferences, mothers.
 4. Home visits.
 - c. School:
 1. Children examined.
 2. Home visits.
 3. Defects corrected.
 4. Health instruction to teachers.
 5. Nutritional classes.
8. Malaria control (in areas where applicable):
 - a. Elimination of breeding places of mosquitoes.
 - b. Advice on screening.
9. Excreta disposal:
 - a. Extension of sewer systems recommended.
 - b. Construction of sanitary outside toilets.
10. Water supplies:
 - a. Advice to rural residents on protection of water supplies.
 - b. Protection of roadside supplies.
11. Laboratory examinations:
 - a. Examinations for physicians, communicable diseases.
 - b. Examinations for release of cases and contacts.
 - c. Milk and water samples.
12. Records:
 - a. Vital statistics.
 - b. Records of activities.
13. Cooperation with other local official and voluntary organizations.

SEATTLE, December 13, 1934.

HON. HENRY MORGENTHAU, Jr.,
Secretary of the Treasury, Washington, D. C.

MY DEAR MR. MORGENTHAU: For 7 years it was my privilege to occupy the position of commissioner of health to the city of Seattle. During that period Seattle established some national records and, as a result, the other cities, towns, and counties of this State followed Seattle's health program. Many of our counties are sparsely settled and had to receive assistance at that time from the United States Public Health Service, also from private agencies. During our present economic stress, this source of revenue has been discontinued and as a result, the health work in several counties completely abandoned.

May I urge that the Treasury Department expand the program of the Public Health Service. An expansion of the Federal Public Health program, particularly along the lines of child welfare, will awaken the various States, counties, cities, and towns of this Nation to a fuller realization of the value these children of today have to national welfare tomorrow.

We are emerging from this national economic stress and when that day arrives, I trust this country will not be handicapped by men and women deficient in physical or emotional health.

Sincerely,

E. T. HANLEY, M. D.

HON. FRANKLIN D. ROOSEVELT,
The President of the United States,
Washington, D. C.

HON. HENRY MORGENTHAU,
Secretary of the Treasury, Washington, D. C.

Local health service most neglected need in Texas. Demand from counties for assistance to establish this service many times exceeds funds at our disposal for cooperative aid. Only 9 counties out of 254 now receiving benefits of county health units. Texas near bottom of list in this service. State not now receiving and never has received outside help commensurate with other Southern States due to weak support given this program by State itself. Am including in next biennial budget 50 thousand per year for county health units. This if secured will only partially meet need. Strongly urge provisions for at least like amount from Federal sources.

JOHN W. BROWN, *State Health Officer.*

VANDERBILT UNIVERSITY,
Nashville, Tenn., December 14, 1934.

Mr. HENRY MORGENTHAU,
Secretary of the United States Treasury,
Washington, D. C.

MY DEAR SIR: I am very much interested in the contributions which may be made by the Federal Government through the United States Public Health Service and Children's Bureau concerning the promotion of public health in the United States. There is today a greater need for the extension of this valuable work than during any preceding period in the history of this country. The population groups in cities face many difficulties with reference to the prevention and control of disease and the maintenance of normal health, and in reality this problem is even more serious in rural areas. The great expansion of this country is such that there are large areas which are yet unprovided for in health protection. In my judgment this can only be accomplished through a cooperative arrangement between the Federal Government and State and local health departments. It is not wise for the Federal Government to disregard its responsibility in the protection of public health, because this is a problem which not only concerns a particular State but also it is of tremendous importance from the standpoint of the relation of populations of the respective States. Disease has no boundaries and it is therefore necessary that the United States Public Health Service and State governments cooperate in working out a larger scheme of public health and institute procedures for its maintenance. There is no escape from this point of view as I understand the problem, and I hope that plans will be developed which will result in the establishment of a larger scheme of public health and its efficient administration. I am thoroughly in sympathy with the effort which is being put forth in this respect.

Yours sincerely,

W. S. LEATHERS, *Dean.*

CITY OF FARGO, December 10, 1934.

Mr. HENRY MORGENTHAU,
Secretary of the Treasury, Washington, D. C.

MY DEAR MR. MORGENTHAU: Having noted the small allotment from Federal funds to the Public Health Service, I would urge that, if possible, this amount be increased so that the Public Health Service may be in a position to extend an increased amount of aid and leadership in the support of State and local health work.

The budgets of both of these departments, particularly in the Northwest, have been materially cut in the last few years, and the expenditure of funds in these fields and under the supervision of the Public Health Service can be made to bring good returns.

Very truly yours,

B. K. KILBOURNE, M. D.,
City Health Officer.

CHILD STUDY ASSOCIATION OF AMERICA,
New York, N. Y., December 5, 1934.

Mr. HENRY MORGENTHAU, JR.,
Secretary of the Treasury, Washington, D. C.

DEAR MR. MORGENTHAU: In the Child Study Association we are concerned not only with the special welfare of children but all of the family relationships. Much of the insecurity that affects their lives is due to ill health, which is dreaded almost as much as unemployment. I am, therefore, very much interested in the administration's program for social security, especially as it relates to health insurance.

Unemployment insurance, of course, is fundamental and it does not require very much imagination on the part of the public to realize the need for it. The difficulties that arise from the ill health of the breadwinner in a family, or the mother of a household, have much more subtle and devastating aspects. I am therefore, adding my voice to those of all persons interested in the welfare of the public, on behalf of health insurance as an integral part of the Government's social program.

In view of what has been made possible by the remarkable advances in the medical arts and sciences within our own lifetime, we cannot be content with

the kind of medical help that the masses of people are able to purchase, even though that be superior to what was available a generation ago. Since so much better care is actually possible and feasible under suitable organization, the importance of an early effort to establish a comprehensive system of health insurance cannot be too strongly urged.

Very sincerely yours,

SIDONIE M. GRUENBERG, *Director.*

HENRY STREET SETTLEMENT, VISITING NURSE SERVICE,
New York, January 5, 1935.

HON. HENRY MORGENTHAU, JR.,
Secretary of the Treasury, Washington, D. C.

DEAR MR. SECRETARY: Because of the nurses of the Henry Street Visiting Nurse Service visit approximately 2,000 families daily in New York City our nursing committee has been made keenly aware of the health conditions in the homes of the low income groups and in the homes of the unemployed. We are greatly disturbed by the difficulties in maintaining health standards in these homes because of the increased needs of the families and the restricted budgets of health agencies.

We therefore earnestly urge the immediate consideration of public health protection as an essential part of the whole economic security program.

Very truly yours,

MARY H. SWOPE, *Corresponding Secretary.*

DECEMBER 7, 1934.

PRESIDENT FRANKLIN D. ROOSEVELT,
The White House, Washington, D. C.

DEAR MR. PRESIDENT: From years of experience in public health in New York State, I am in favor of a program that will round out the work of county health departments under State leadership and guidance.

Leaving the entire responsibility to local interests, influenced by the "depression", has not worked out. There should be some direction from the Federal Government, and it should include some degree of Federal financial support. We are not making use of our present scientific knowledge in the protection and control of disease, and the reason is that we have not as good local administrative machinery as is necessary.

I am writing you this letter to assist to whatever extent it may be in informing you of public opinion.

Yours respectfully,

W. H. ROSS.

THE BERGEN COUNTY MEDICAL SOCIETY,
December 11, 1934.

THE HONORABLE HENRY MORGENTHAU, JR.,
Secretary of the Treasury, Washington, D. C.

HONORABLE SIR: The State of New Jersey's Public Health organization leaves the health activities principally in the hands of the nearly 500 municipalities. The larger towns and cities give what might be termed good health service, but the more numerous smaller municipalities' activities are far from ideal, generally speaking. Due to these facts a movement is starting for larger health units, namely county. This unit I well know is considered by the United States Public Health Service as the ideal for efficiency. I also know of a great many counties in the country having been aided by the Federal Government financially and in personnel in setting up these units.

This movement is just being started and will be some time before it actually develops. The legislature has as yet to pass appropriate laws in this State for a county department of health. So as to be prepared in advance, may I ask what Federal aid could be obtained and what procedure would have to be followed to obtain them?

Thanking you for your information, I am,

Very truly yours,

F. EDWARD WHITEHEAD,
Executive Secretary.

PIKE COUNTY HEALTH DEPARTMENT,
MISSISSIPPI STATE BOARD OF HEALTH,
McComb, Miss., December 13, 1934..

Mr. HENRY MORGENTHAU,
Secretary of the Treasury and Member Committee on Economic Security,
Washington, D. C..

DEAR MR. MORGENTHAU: I wish to take this opportunity to impress upon you and the Committee on Economic Security the need for more adequate consideration of Federal legislation concerning State and local health work. The public-health program has not in the past been adequate except in the very few counties where philanthropic organizations have seen fit to lend their financial cooperation. In our State only 25 of the 82 counties have any type of full-time public-health service, and many of the 25 who have full-time service have such to a very inadequate extent. The reason this service is not extended to all counties as it should be, is because of inadequate consideration by our Federal Government to this most important service. May I respectfully insist that you lend your wholehearted support to obtaining for this service adequate financial consideration by our Federal Government.

I wish to submit for your consideration a few of the health improvements that have been accomplished in Pike County, Miss., as a result of what may be considered fairly adequate health service for a county. This county receives financial assistance from a philanthropic organization to over 50 percent of the total operating expense of the health department. There are 5 nurses, 1 sanitary inspector, 1 veterinarian in charge of milk control, 2 secretaries, 1 dental hygienist, and 1 medical director in the personnel of this department. Every county in the United States should have a similar personnel.

This department was organized on July 1, 1931. The following facts are respectfully submitted:

SANITATION

All 64 schools in the county with adequate sanitary toilet facilities; over 1,600 sanitary toilets in homes; improvements made in all public water supplies making them safe; and over 25 miles of ditches opened in the control of mosquito breeding.

From a survey made in this State in 1932 by the Rockefeller Foundation it was found that approximately 30 percent of the population of Mississippi was infested with hookworm. This department has been fighting this disease constantly since 1931, and to date we have reduced this to approximately 4 percent of the population infested in the county.

FOOD AND MILK CONTROL

All food-handling establishments made to comply with State sanitary regulations. Construction of an abattoir, where formerly none existed meeting United States Public Health Service requirements. Installment of a \$3,000 grade "A" pasteurizing plant where none formerly existed in the county. Three of the four municipalities of the county have adopted the United States Public Health Service milk ordinance. United States Public Health Service rating revealed that above 90 percent complied with this milk ordinance in McComb. Grade "A" raw milk placed in all schools in the county and served with hot lunches in 1933 and 1934. All cows supplying milk for human consumption in the county have been tuberculin tested each year since 1932. All persons handling food in the county are given annual physical examination for contagious diseases.

MEDICAL AND NURSING SERVICE

Typhoid deaths reduced to nil in 1932; typhoid cases reduced from previous 5-year average of 19 to 5 in 1934; diphtheria deaths reduced to nil in 1934; diphtheria cases reduced from a previous 5-year average of 36 to 11 in 1934; scarlet fever cases reduced from a previous 5-year average of 22 to 17 in 1934.

As result of an intensive case-finding program, tuberculosis cases found, and properly cared for, increased from a previous 5-year average of 10 to 108 known cases in 1934. Deaths from tuberculosis have not increased in proportion showing that the disease has not increased but that the case-finding program is successful. The number of deaths remained from 18 to 21 during the existence of the health department in the county.

Maternal death rate for those under supervision of the health department in 1933 was nil, and for those not under supervision it was 11.4. More than 50 percent of the total antepartum cases were rendered service by the health department..

Total maternal death rate was reduced from a previous 5-year average of 9.9 to 5.3 in 1934. Infant death rate has been reduced from a previous 5-year average of 66.4 to 59.3 in 1933. Diarrhea and enteritis under 2 years death rate has been reduced from a previous 5-year average of 20.1 to 9.1 in 1934.

I will appreciate your careful consideration of the material herein submitted. It is my sincere belief that such results can be obtained in any county in the United States if our Federal Government will make it financially possible for adequate health departments to be organized.

Again thanking you, and with kindest regards, I am

Respectfully yours,

PAUL HANEY, Jr., M. D.,
*Director Pike County Health Department and
 Fellow and Life Member American Public Health Association.*

MICHIGAN DEPARTMENT OF HEALTH,
Lansing, Mich., January 17, 1935.

HENRY MORGENTHAU, Jr.,
Secretary of the Treasury, Washington, D. C.

DEAR MR. MORGENTHAU: Members of the public-health profession have noted with considerable satisfaction the recent Federal appropriation for rural health problems. The interest of the Federal Government in this type of project sponsors the hope that future public-health appropriations will be commensurate with those for other governmental projects.

The most cursory examination of the history of public-health organizations from the United States Public Health Service to the smallest health unit will show splendid investment returns. It is only necessary to consider the low mortality and morbidity rates of communicable diseases and the improved status of water and sewage conditions to realize this fact.

Those interested in public health have always found it difficult to put across sound campaigns because of a decided lack of governmental interest. Health departments have functioned on sadly inadequate budgets while other governmental organizations commanding greater public interest have been more generously treated. It has been axiomatic that it takes an epidemic to stir the interest of the Government or the people in the business of health.

The budget reductions brought about by the depression have not only served to reduce public-health activities to the minimum, but in many instances have wrecked all semblances of sound public-health organization. In this organization it has been necessary to reduce personnel, salaries, and supplies incidental to regular procedures to a point where it has become almost impossible to supply the medical profession with adequate diagnostic service. Research effort is at a standstill. The high caliber of laboratory work has been maintained principally because of the fine loyalty of the staff. This loyalty cannot be expected to carry the organization forever. The present budget level will deprive the medical profession of valuable laboratory services which have become indispensable and in the end the public will suffer.

No one need argue the value of the United States Public Health Service or the National Institute of Health yet many projects in which both services have long been interested cannot be developed because of lack of funds. This is true for all types of health organizations.

This is not in keeping with the aid of the "new deal". Constant research must support sound laboratory service if disease rates are to be further reduced. The need for constant research is indicated by the high mortality still existent in diseases such as pneumonia, tuberculosis, and whooping cough.

Every member of the public-health profession considers the recent Federal appropriation to be a sign of governmental interest to be followed later with appropriations for other worth while public health projects. It goes without saying that success in social welfare must be predicated upon sound public health.

Very truly yours,

G. D. CUMMINGS,
Ph. D., Assistant Director, Bureau of Laboratories.

CLAIBORNE PARISH HEALTH UNIT,
Homer, La., December 17, 1934.

Hon. HENRY MORGENTHAU, Jr.,
Secretary of the Treasury, Washington, D. C.

DEAR SIR: Owing to the reduction and practical abandonment of all Federal aid in rural and local health departments under the present administration, we feel it our duty to make a direct appeal to you for help.

Our work in preventative medicine has been greatly retarded, and our infants and children's bureaus have been practically abolished. If some measures of support and relief are not given in the very near future the results will be disastrous.

It is with great difficulty that rural units are able to carry on at all due to the curtailment of local funds, and the abolishment of all Federal support. The amount originally allotted us was never sufficient to put on a good health program.

The health associations in the rural sections feel that they can pay you good dividends on all money allotted to this type of work. Health is paramount, and nothing is of any account if we lose it. To a certain extent public health is purchasable and is largely controlled by the public and financial support it receives.

Respectfully,

Dr. H. R. MARLATT,
Director Claiborne Parish Health Unit.

WINSTON SALEM, N. C., December 7, 1934.

Hon. HENRY MORGENTHAU, Jr.,

Most States are greatly handicapped financially in carrying on their health program. North Carolina unfortunately is one of the number. The United States Government could not appropriate money more usefully than in protecting the health and lives of its citizens. Will you please use your influence to see that this important work is not crippled on account of lack of funds.

S. D. CRAIG,
Vice President State Board of Health, North Carolina.

LETCHER COUNTY HEALTH DEPARTMENT,
Whitesburg, Ky., December 9, 1934.

Hon. HENRY MORGENTHAU,
Secretary of the Treasury, Washington, D. C.

DEAR SECRETARY MORGENTHAU: I understand that President Roosevelt has set up a Council on Economic Security, and that Miss Francis Perkins, Secretary of Labor, is chairman of this council. I feel confident that one of the purposes of the Council on Economic Security will be the preservation of our national health to the fullest possible extent. It seems to me that the welfare of the Nation's health can be best supervised by the continuation of the many full-time county health units. As the United States Public Health Service is one of the bureaus within the Treasury Department, I know that you, Mr. Secretary, are an ardent friend to rural public-health work.

As a public-health official myself now for some 5½ years here in this county (Letcher) I feel that the varied work done by a county health unit is indispensable to the welfare of any community. It is very difficult to understand why as yet, that some sections still attempt to make out without such an invaluable service at such a very small cost per individual. I can point with a great deal of pride that here in my county the vast majority of the population are intensely interested in our public-health program, that only a few of the "die-hards" offer destructive criticism.

Before the installation (1927) of this county health unit, the preventable communicable diseases were exceedingly prevalent; smallpox was still the much-dreaded disease of the past century; typhoid claimed as its victims scores yearly in this county; diphtheria death rate was enormous; there was not a single sanitary privy in Letcher County. Now, thanks, to the efforts of health workers (aided by the local physicians), smallpox is practically an unknown entity here; almost without exception every school child in the county (more than 10,000) is successfully vaccinated against this once much-dreaded malady. Within present calendar

year 1,025 smallpox vaccinations have been done by this staff (only 2 until just recently), and to continue with a few more statistics exactly 5,260 individuals have been the recipients of the typhoid vaccine since January 1, 1934. Also, furthermore, 1,254 children have been made safe from childhoods' most dangerous malady by the simple diphtheria toxoid inoculation within the past 11 months.

I can add, Mr. Secretary, that all but four schools in the county to date have the protection of well-constructed sanitary privies, and there are scores of others throughout the county, besides; at the present moment, the inspector is working daily with the relief men building toilets for two coal companies. Moreover, this health unit did 4,710 tuberculin tests last year with home visits made on the positive reactors. An intestinal parasite survey was conducted in which 2,153 stool specimens were collected for analyses; 789 children showing infestation were personally treated for the expulsion of the parasites.

Besides we have a very good prenatal clinic here in which we are doing "our bit" to help reduce the maternal death rate, in which the records shamefully state that more than 16,000 mothers are sacrificed annually in the ordeal of child-bearing. In conjunction with the maternity clinic we held the past year 36 child-health conferences which 754 children attended.

The figures quoted above are only the major phases carried on by any well-functioning health units. We feel that much is being accomplished; we know that the field is hardly scratched yet, and that without the cooperation and assistance of your Bureau in Washington the work must go on a decline. The local county government is sorely pressed for funds; the fiscal court like so many these trying days "look for help" toward Washington. Unless Federal aid is maintained, and perhaps increased, then a number of county-health units must necessarily be abandoned due to failure of local appropriations.

Knowing that you, Mr. Secretary, must be a public-health enthusiast, we look to you for assistance in our cause.

Very respectfully,

R. D. COLLINS, M. D.,
Director, Letcher County Health Department.

THE STATE UNIVERSITY OF IOWA,
Iowa City, December 31, 1934.

HON. HENRY MORGENTHAU,
Secretary of the Treasury, Washington, D. C.

DEAR MR. MORGENTHAU: I am writing to urge that measures be undertaken to bring order out of present chaos and to make possible an orderly and rapid development in our organization to safeguard the health of the American people.

The chaos in health organization lies (nationally) in the distribution of responsibilities of a public-health nature among so many governmental departments. This, I feel, will never be remedied until we have a Federal department of health. I would like to see the United States Public Health Service elevated to the status of a full department, in which will be concentrated all Federal public health activities.

The chaos exists most acutely in local health organization. Nothing could be more deplorable than this. It is obvious, I believe, that if a community is to have a sustained and consistent application of modern knowledge relative to the prevention of disease, it must depend upon its local health organization. If this be true, then the local health official is the most important officer in the entire administrative set-up, insofar as the community is concerned. In other words, this is the health official who is most important to the American people.

I urge that appropriations be placed at the disposal of the United States Public Health Service sufficient to enable the development on a wholesale basis of adequately organized local departments of health, staffed by competent personnel. Subsidies will be required to accomplish this, but I know of no Federal expenditures which, in the long run, will prove of more lasting benefit than these.

Yours respectfully,

M. E. BARNES, M. D.,
Professor and Head, and Director of State Hygienic Laboratories.

STATE OF ILLINOIS DEPARTMENT OF PUBLIC HEALTH,
Springfield, December 5, 1934.

HON. HENRY MORGENTHAU,
Secretary of the Treasury, Washington, D. C.

DEAR MR. MORGENTHAU: It has been brought to the attention of the Department of Public Health of the State of Illinois that the public-health program of the Nation is to be greatly curtailed, and that there is danger that adequate consideration and legislation along that line will not be available.

I wish to urge that there be legislation for Federal aid and leadership in the development and support of local health work in the various States. Many of the State health departments and county health units have not sufficient funds, or are they able to collect funds to carry on essential health work that the public should have during this period of inadequate incomes when the average man is unable to purchase the necessary medical aid. There is grave danger due to lack of rural sanitation, especially in our smaller centers, of epidemics of typhoid fever and an increase of tuberculosis due to poor sanitation and lack of the requisite hygienic measures.

We most earnestly urge consideration of the health conditions of this State, and the various States of the Ohio Valley.

Respectfully yours,

FRANK J. JIRKS, M. D.,
Director of Public Health.

MIAMI, FLA., *January 10, 1935.*

MR. HENRY M. MORGENTHAU, JR.,
Secretary of the Treasury, Washington, D. C.

DEAR SIR: As president of the Florida Public Health Association, a representative organization affiliated with the American Public Health Association and having among its members the leading workers for the promotion of public health in Florida in State, county, and municipal fields, I wish to express appreciation for the splendid work being done by your Department through the United States Public Health Service. The task of effectively supplementing the work of municipal and State agencies has been a formidable one and your Department is to be congratulated that it has been able to achieve the results you have obtained with the limited funds allotted for that purpose.

It is with the profound conviction that an increased appropriation should be allotted for the widening of your activities in so vital a matter as the promotion of public health that I am addressing you. I feel confident that the public will react with genuine satisfaction to any act of the Congress which will favorably affect the Nation's health.

That a greatly increased appropriation is needed is evident from the following considerations:

1. In a survey made by your Department and by the Milbank Memorial Fund it was shown that the highest sickness rate occurred in families which had suffered the most severe decline in income. "Disabling sickness" was 50 percent higher than in their more fortunate neighbors.

2. While few have been killed outright by the depression, the lowered resistance, due to lack of proper nutrition, has prepared a veritable hotbed for the increase of certain types of disease. There was never a more urgent demand to press the fight against preventable disease, since economic conditions may cause the ground already won through the indefatigable efforts and leadership of the United States Public Health Service to be lost for a generation.

3. There is great need for the extension of community protection and county health programs. Only one-fifth of the rural population of the United States has the benefit of organized health machinery.

4. The curtailment of appropriations to city, county, and State health units is lamentable and it is to be hoped that increased health budgets may soon begin to reappear. However, as a national emergency exists, the Federal Government, which has done so much for education, agriculture, and roads, should make adequate provisions for the health of its citizens.

5. When it is considered that Federal appropriations must be distributed throughout 48 States, an appropriation not less than \$5,000,000 a year should be readily granted by the Congress.

The Florida Public Health Association will work untiringly to the end that adequate provision be made to promote public health throughout the State and the Nation. You may count upon our hearty cooperation in all matters that look to this end.

Yours truly,

GEORGE N. MACDONELL, M. D.,
President Florida Public Health Association, Inc.

DECEMBER 14, 1934.

To the PRESIDENT,
Washington, D. C.

SIR: We in Delaware understand that in order to balance our State budget health appropriations are to be cut, and that our State care for the tuberculous will suffer badly. Our State sanatorium has a waiting list of over 50 all this year, and our death rate from tuberculosis stands at 73 per hundred thousand, while that of the Nation is around 59 per hundred thousand.

Unless we can get funds to provide for these 50 cases, of which everyone is a focus of infection, we cannot fight tuberculosis with any hope of controlling the disease. We have already more than cut it in half, but the failure to get State funds is crippling the work.

If there is any comprehensive health program to be presented to the Nation, distributing funds to local health departments under State leadership and guidance, we ask most earnestly that this critical situation in Delaware be considered, and provision be made to segregate these dangerous cases.

Our society is a private one, not handling any public funds, and therefore would receive nothing from such funds. Our support comes entirely from the Christmas Seal, started in this State in 1907. We therefore have no ax to grind, but are appealing in behalf of the health needs of the State of Delaware.

Respectfully yours,

DELAWARE ANTI-TUBERCULOSIS SOCIETY.
EMILY P. BISSELL, President.

BRUSH PUBLIC SCHOOLS,
Brush, Colo., January 9, 1935.

PRESIDENT FRANKLIN D. ROOSEVELT
White House, Washington, D. C.

MY DEAR MR. ROOSEVELT: As a superintendent of schools in a first-class school district in northeastern Colorado and as representing a group of us very especially interested in public-health services, particularly as concerns our approximately 1,000 school children, we write to urge that all consideration possible be given through your office to the proposals that have been made in support of Federal aid to local public-health services.

The general financial conditions of the last few years have taken their toll, of necessity, in a good many places, and among our services to suffer most have been those which we consider in many instances to be by far the most important, and of these certainly no one is more important than that of public-health service for our young people in school.

It is gratifying to know that public opinion has grown tremendously in its understanding and appreciation of the necessity for good health, particularly in our public schools, since while taking care of existing conditions among older people we must lay the ground work for a better educated and healthier new generation of young people.

Locally, we are most concerned at the present time with an investigation of visual difficulty in our schools, and with the detection and prevention of tuberculosis.

Practically all that we do along this line comes through volunteer contribution, and quite naturally the burden continues to fall more heavily among those of us who realize so definitely the need of this type of service.

Until such time as public support through taxation may be available, we urgently recommend Federal aid to local public-health services and trust that it will be found by our Government that expenditures in this direction are among the most justifiable of all, excepting only immediate cases of disease or distress among our people.

May we thank you most sincerely for your consideration of our expression of confidence in the Federal-aid project above mentioned.

Very truly yours,

ALBERT E. CORFMAN,
Superintendent of Schools.

LOS ANGELES, CALIF., *December 5, 1934.*

Mr. HENRY MORGENTHAU,
Secretary of the Treasury, Washington, D. C.

Assistance from Public Health Service to date greatly appreciated. Public-Health appropriations, which have been inadequate for even direct protective purposes, have been cut so drastically that our only hope seems to lie in Federal aid in development and support of local health work. State and local health organizations need both moral and financial assistance. Urge public-health program receive sufficient support to make this possible.

J. D. DUNSHEE, M. D.,
State Director of Public Health.

(Also sent to Franklin D. Roosevelt, Dec. 5, 1934.)

PHOENIX, ARIZ., *December 8, 1934.*

HON. HENRY MORGENTHAU:

Due to the effect of the depression rural sanitation in this State is very necessary in order to promote the health of the people of the State. You are earnestly petitioned to secure consideration for renewal of appropriation of United States Public Health Service in order to continue this aid. Anything you may do in regard to this matter will be deeply appreciated by the people of the State of Arizona.

The ARIZONA STATE BOARD OF HEALTH,
GEO. C. TRUMAN, M. D., *State Superintendent.*

ARKANSAS STATE BOARD OF HEALTH,
Little Rock, December 27, 1934.

HON. HENRY MORGENTHAU, Jr.,
Secretary of the Treasury, Washington, D. C.

MY DEAR SECRETARY: We desire that the United States Public Health Service be given a more prominent recognition in the national recovery program. This could be done by the extension of adequately staffed, full-time, health departments providing local public health service for people. If this action were taken, the national waste from preventable disease could be materially reduced.

In presenting this question to the President's Committee on Economic Security, we desire that you bear in mind the following suggestions:

That the revenues of the counties of the several States of the Union have been greatly reduced through the inability of the taxpayers to pay annual taxes.

That in the past the counties of the several States have been required to match any Federal funds allotted to said counties for public health work; and, that in the future this will be, in the majority of cases, impossible due to the reason given above.

That on December 7, 1924, the people of Arkansas put into effect a constitutional amendment prohibiting the county judges of the State from making any allowances in excess of the revenues for the current fiscal year. In addition to this amendment, the Legislature of the State of Arkansas has passed certain acts placing all claims against the respective counties of the State into classes giving priority to certain classes. All contract claims—and this includes all claims by public health officers for services rendered—fall within the last class of claims in preference. This condition of the law together with the condition of the revenues of the counties of this State should be taken into consideration in making any demands upon the counties for matching Federal funds.

We sincerely hope that these suggestions may be of benefit to your Department and the Health Service will be given sufficient aid to carry on these services to the local units of government.

Respectfully yours,

M. B. OWNES, *Director.*

TUSCALOOSA COUNTY HEALTH DEPARTMENT,
Tuscaloosa, Ala., December 14, 1934.

HON. HENRY MORGENTHAU, JR.,
Secretary of the Treasury, Washington, D. C.

DEAR SIR: Would like to call your attention to the drastic curtailment of funds for doing public health work.

Our local department has had an average cut of 61 percent during the past 3 years.

This has necessitated the laying off of personnel and the reduction in salaries of the remaining number.

The Public Health Service under your direction is now giving assistance to States and local health departments in a limited way. We hope that you can secure more funds to take care of more local departments.

Our department was cut at a time when, in our opinion, we were needed most and did have more calls for service.

Thanking you in advance for your help in this direction.

Sincerely yours,

A. A. KIRK, M. D., *Health Officer.*

SEATTLE COUNCIL OF PARENT-TEACHER ASSOCIATIONS,
Seattle, Wash., January 14, 1935.

MISS JOSEPHINE ROCHE,
Assistant Secretary of the Treasury,
Washington, D. C.

DEAR MISS ROCHE: For many years the United States Public Health Service has carried on a valuable work in the stimulation and promotion of local public health activities through leadership and limited financial aid in the development and maintenance of full time local health departments.

Through efforts of the Public Health Service, many States have been enabled to provide a large percentage of their respective populations with efficient local health departments which would, otherwise, not have been organized. These local health departments have been of inestimable value in elevating the standard of the health of the communities, the States and the Nation as a whole.

Within past years the leadership of the Public Health Service has lagged, due to the lack of necessary appropriations. This coupled with the meagerness of State and local resources, has resulted in a woeful let-down in public health work in many sections of the Nation.

As the Seattle Council of Parent-Teacher Associations, representing a membership of more than 10,000, we sincerely urge that the United States Public Health Service by adequate appropriations and authority be given the opportunity of continuing this much needed and invaluable service. The leadership of the Federal Government, through the United States Public Health Service, is imperative if the various States are to expand and develop their State and local public health activities.

Respectfully,

ETHEL WILLIAMS,
Corresponding Secretary.

MORGANTOWN, W. Va., December 5, 1934.

HON. FRANKLIN D. ROOSEVELT,
President United States, Washington, D. C.:

West Virginia urgently needs continued Federal aid in support of State and local health services to maintain present public health standards. Impossible for counties this State to finance local health service to extent needed to protect the public health. Special legislation providing for Federal aid on more or less permanent basis is essential if marked increase in communicable disease death rates is prevented. We urge that such legislation be recommended to the next Congress.

R. C. FARRIER, M. D.,
County Health Officer.

The CHAIRMAN. General Cumming, please.

STATEMENT OF HUGH S. CUMMING, SURGEON GENERAL, PUBLIC HEALTH SERVICE OF THE UNITED STATES

General CUMMING. Mr. Chairman, they say that a good play needs no epilogue. There is very little which I need to add to that of the Assistant Secretary, except to say that I am in thorough accord with section 8. It is treading no new ground; it is an extension of an attempt on the part of the Federal Government many years ago which has been eminently successful. It is not a problematical thing.

The CHAIRMAN. What is the normal appropriation for the Public Health Service now of the Federal Government?

General CUMMING. The total appropriation runs about \$10,500,000, and with the reserve taken off, about \$900,000. I think it runs about \$10,000,000, the whole thing.

Senator COUZENS. How many commissioned officers have you in the service?

General CUMMING. Senator, I will explain that set-up a little later, and answer Senator Costigan, too. There are 389 on active duty.

Senator GERRY. Would this bill about double your appropriation?

General CUMMING. I would; yes, sir. Senator, with reference to this civil-service question. The people employed under this sort of cooperative work with States, that is to say, the local and State health people are not under Federal civil service. They are exempt from the Civil Service Commission formally. They are appointed upon recommendation of the State and local health authorities.

The CHAIRMAN. If this provision should be adopted as written here, though, they have to be under civil service?

General CUMMING. No, sir; I think not. We might have that studied.

The CHAIRMAN. You had better study it, because some of those who are going to advocate it might not be for it if it were to be under the civil service.

General CUMMING. The standard which is to be maintained in the local personnel is set up in a conference of all of the State and Territorial health officers. It is a matter of common agreement among them and the Public Health Service.

Senator COUZENS. They are all paid by the Federal Government?

General CUMMING. In part by the Federal Government. Since we started this work, the States have averaged somewhere around \$8 to \$10 for every one spent by the Federal Health Service. That was in normal times. The organization of the Service is a small corps of Regular officers, medical officers, sanitary engineers, and scientific people, which corresponds very much to our Regular Army, and as I say, they are less than 400—about 390. Then we have between seven and eight hundred doctors employed who are selected from the civil-service list. They correspond, generally speaking, to the Army Reserve or National Guard. The only people we have in the Public Health Service, speaking of the whole service, who are not under civil service, is the grade or classification of about \$1,100 per annum, which have been exempted, and which correspond to charwomen and laborers at hospitals and quarantine stations.

Senator COSTIGAN. Has that proven a satisfactory method for the selection of positions through the civil service?

General CUMMING. I do not think you get as good a type possibly in times of prosperity as you do in times of adversity.

Senator COSTIGAN. Because of the competition?

General CUMMING. Yes, sir. I think we are very fortunate, Mr. Chairman, in having at least two members of your committee who have had experience with this cooperation. I see former Governor Byrd, who borrowed one of our trained officers to help in reorganizing an already excellent organization in Virginia. The first governor whom I recall who borrowed one of our officers is Senator Walsh of Massachusetts, who I think is on your committee. We helped to redraft the State laws of Massachusetts, and afterwards loaned them an officer to put in effect. And Mr. Roosevelt, the Governor of New York, now President Roosevelt, borrowed an officer for the same purpose. We are now doing the same work for several other States.

The scheme which we have here is a well tried out scheme, in other words. And it is very urgently needed at this time.

I shall be glad to answer any questions.

Senator COUZENS. I notice that in section 803 (a) it says "Eligible lists of the Civil Service Commission." Does that carry the classified salary list with it?

General CUMMING. I think it would, by law.

Senator COUZENS. I see that it is not used in this particular paragraph, the question of the classification of salaries, and I wondered if the civil service in itself carried that with it. If not, it ought to be added.

General CUMMING. I never thought of that point. The bill was written by a bill drafter, and I imagine they took that into consideration.

The CHAIRMAN. Are there any questions?

Senator BARKLEY. Doctor, for the record and so that we may understand, will you explain just what all-time health service in a county does and what it means to the people?

General CUMMING. I think what it does for the people in large part, Senator, has already been told you very graphically by Miss Roche, in the decline in the death rates in those particular diseases which are more or less affected by public-health work in the field as contrasted with those which require research. A county set-up, a minimum, contemplates a full-time health officer who is trained in public-health work for public health is now as much of a specialty as neurology or pediatrics, or eye and ear disease. There is so much contemplated in public health, one or more sanitary inspectors, one or more public-health nurses, and of course clerical services for statistics, and so forth. That is a minimum and of course has to be enlarged upon in any county of any size.

Senator BARKLEY. What is the total cost of maintaining marine hospitals of the country?

General CUMMING. We have more patients than ever now, because we are running the C. C. C. cases, and the United States employees' compensation cases in addition to the Coast Guard and the merchant marine and so on as formerly. It runs about \$5,500,000. Our cost per diem was about \$3 last year. It is running now about \$3.09.

Senator BARKLEY. The broadening of the functions of the marine hospital to take in the C. C. C. camps and others probably to a large extent would relate the marine hospitals to the public health,

but as an original proposition, do you think that the cost of marine hospitals ought to be charged against the general public health?

General CUMMING. Well, I think that is a convenience for the Congress in carrying it under one general appropriation. It is set up separately in your general appropriation act, as you know.

Senator BARKLEY. Yes; I know that.

General CUMMING. And that fund cannot be diverted for other purposes. That has been carried for many, many years in the terms of the appropriation.

Senator BARKLEY. I realize that, but I wonder—it is not a matter of any particular importance, because we have to take care of that any way—but whether in marine hospitals which are originally dedicated for those who are engaged in the marine service, whether that should not have been carried under a different department so as not to confuse it with the strict Public Health Service.

General CUMMING. It is an essential part of the Public Health Service. For instance, it is a reservoir for the trained medical officers. It is the only place we have to train them; it is a place for clinical research; it is an essential part of our maritime quarantine, and we could not do very well without them, I think. We have a system of sending officers back to freshen up on bedside medicine from the field.

Senator BARKLEY. You do think then that in view of the general expansion of its functions in the matter of health and care, that it is an essential part of the Public Health Service.

General CUMMING. A very important part, yes, sir.

Senator BARKLEY. What is your experience or your observation or your opinion—we have been talking about the Civil Service—as to whether or not a civil service examination may be actually relied upon always to reveal the best doctor?

General CUMMING. I do not think it does, to be frank with you. I think the matter of personality and integrity and judgment, which are very difficult to judge from a written civil service examination, can probably be better ascertained by a personal interview. I think all of you gentlemen who have been here a long time know that we have never had any partisan politics in our selections, but on the other hand, I think the Civil Service is a great protection and, balancing values, so to speak. It is much better than not to have the Civil Service selection.

Senator BARKLEY. Does it operate to sort of weed out the unfit?

General CUMMING. Very much, and I do not see how we could get along without the Civil Service. I would hate to undertake to run the service without it.

Senator BARKLEY. It saves you an alibi sometimes?

The CHAIRMAN. You would have just about as much trouble as we have, I suppose.

Senator LONERGAN. Can you tell us to what extent the rural areas of the Nation are without doctors?

General CUMMING. That has been worked over for several years by a committee. Dr. Sydenstricker and Dr. Falk can give you much more detailed information on that than I can.

The CHAIRMAN. Thank you very much, General Cumming.

The next witness is Dr. Underwood.

STATEMENT OF DR. FELIX J. UNDERWOOD, STATE HEALTH
OFFICER OF THE STATE OF MISSISSIPPI

I should like to give this committee the benefit of the facts, so far as Mississippi and a few other States are concerned relative to lack of adequate public health facilities and medical care.

Beginning December 1932 we had in Mississippi 2,069 deaths reported to the division of vital statistics of the department of health. Four hundred and ninety three died without medical care, 23.8 percent of all. To be exact, 9.1 percent white and about 33 percent colored.

Senator COSTIGAN. Without any medical care whatsoever?

Dr. UNDERWOOD. No medical care whatsoever. A physician did not see them in the office before they became extremely ill, and certainly there was no visit and their death certificates were not signed by a physician.

Senator GERRY. Is that an accurate death rate?

Dr. UNDERWOOD. I think so.

Senator GERRY. As to the number of deaths?

Dr. UNDERWOOD. We have that many reported. There were possibly a few that were not reported.

Senator GERRY. That percentage is not large?

Dr. UNDERWOOD. That percentage is quite large.

Senator GERRY. The percentage in deaths not reported, I mean?

Dr. UNDERWOOD. Oh, no. I think we get 95 to 98 percent. We are within the registration area of the United States and that means that we are reporting quite well for deaths and births.

Senator COSTIGAN. Does that mean that the local physicians do not respond?

Dr. UNDERWOOD. No indeed. It means that the physicians had a peak load of charity when this depression struck, and with the added amount of grief and trouble, they simply could not do it. They should not be expected to without compensation.

I have it month by month for 1933. We had a total of 21,617 deaths for 1933; 4,004 without medical attention or 18.5 percent of our total that were not seen by a physician at all and their death certificates were not signed by a physician.

For 1934, I have it compiled through October.

The medical care by the Federal Government inadequate as it has been has helped considerably. October 1934, as against December 1932, which was 23.8 percent of all. October 1934 was 13.6 percent of all died without medical care.

The CHAIRMAN. So there was a reduction?

Dr. UNDERWOOD. A reduction.

The CHAIRMAN. How do those figures compare with other States?

Dr. UNDERWOOD. Arkansas shows for 1933, 15.29 percent died without medical care, 2,537 deaths without medical care; 16,591 total for the year of 1933.

The CHAIRMAN. You have a certain number of States there?

Dr. UNDERWOOD. I have Georgia, 13.8 percent.

The CHAIRMAN. I wish you would put that in the record.

Senator GERRY. What is Alabama?

Dr. UNDERWOOD. I do not think I have Alabama. Some States did not keep it. I believe it is practically the same. Dr. McCormick is here, the State health commissioner of Kentucky, and his State averages about the same.

The CHAIRMAN (interrupting). Have you any State there that has large cities in it? Of course, our State is an agricultural State. Have you any such figures?

Dr. UNDERWOOD. I do not have. I wrote to every State health commissioner in the country and received replies from most of them, but the figures are from less than half the States, and I have here a few of the States as a sample.

The CHAIRMAN. Do you have New York State?

Dr. UNDERWOOD. No. Dr. Parran can speak for New York.

The CHAIRMAN. Are there any statistics on that?

Dr. UNDERWOOD. I am sure they have them or can get them. Some States said they did not keep them. I asked them for those statistics by months. I have Georgia, Arkansas, Mississippi, and Kentucky, and a few others that run along about anywhere from 10 to 20 percent.

Senator GERRY. Then you have no comparison of those States with the important industrial States?

Dr. UNDERWOOD. I do not, sir; I am sorry. I wanted to show the actual condition in Mississippi, my own State, and the thought occurred to me it might be well to write to other States and see what the conditions were there.

The point I am making here is that possibly half of those could have been prevented by an adequate health service and good medical care.

The assistant secretary of the Health Board of Mississippi prepared this statement the other day. It will take only a minute to read it here.

Some aspects on the need of medical care in Mississippi—

First. Over half of the births in Mississippi are annually attended by midwives. A tabulation covering several years and representing this particular point is enclosed.

Of course, our population is about half Negroes. The tabulation covering several years and representing this particular point is as follows:

Births 1928-32

	Total	White	Colored
Number births attended by physicians:			
1928	26,359	21,619	4,730
1929	24,852	20,371	4,581
1930	25,818	21,231	4,587
1931	23,184	19,378	3,806
1932	22,138	18,932	3,206
1933	21,159	17,685	3,474
Percent of total number births attended by physicians:			
1928	54.7	91.4	19.3
1929	54.5	91.7	19.5
1930	53.8	91.5	18.5
1931	51.4	89.6	16.2
1932	47.6	86.5	13.0
1933	47.9	86.7	14.6

Births 1928-32—Continued

	Total	White	Colored
Number births attended by midwives:			
1928.....	21,315	1,776	19,539
1929.....	20,335	1,621	18,714
1930.....	21,843	1,777	20,066
1931.....	21,719	2,127	19,592
1932.....	24,106	2,708	21,398
1933.....	22,762	2,564	20,198
Percent of total number births attended by midwives:			
1928.....	44.3	7.5	79.8
1929.....	44.6	7.3	79.8
1930.....	45.5	7.7	81.0
1931.....	48.1	9.8	83.4
1932.....	51.9	12.8	86.6
1933.....	51.5	12.5	84.9

Lack of 100 percent in the totals of percentages above is due to lack of information and to records of births signed only by parents.

Second. Most of the midwives in Mississippi are ignorant women who cannot be expected to know the first principles of obstetrics except the teaching they get with reference to cleanliness and calling physicians in unusual cases. As to how much of these teachings they have absorbed is a matter of question since their lack of education and previous mode of living cannot guarantee great results.

We have been prosecuting some people in Mississippi who attempted to do midwifery without license. The medical practice act of the State is to the effect that females engaged solely in the practice of midwifery are exempt from examination, that is the medical practice act of the State exempts them. Only physicians and females engaged solely in the practice of midwifery may do that kind of practice. One case is pending in court wherein a white couple used a Negro man to attend the mother at childbirth. Another case is pending in court with reference to a white man who has never studied medicine attending births in his section for several years. Another case was in court where an ignorant colored man had attended births, and the information shows that he had been attending births among colored women for years. Several cases have come to court where fakers have been practicing medicine and knew nothing of the principles of practice, of course.

It is quite evident that people who patronize such questionable practitioners would have physicians if they could pay them.

Recently I wrote to a local registrar of births at Union, Miss.:

DEAR SIR: We recently received two birth certificates from you signed by J. W. Rogers, Union, Miss. These were for children of William E. Edwards, born October 19, 1933, and of Robert Sharp, born July 14, 1933.

Will you please state at the bottom of this page who J. W. Rogers may be, whether a man or woman, and if a man, is he attending births in your section?

To which I got his reply:

Mr. J. W. Rogers is a very old farmer who is trying to help his neighbors who are not able to get a doctor in maternity cases. He has been pressed into the service from a humanitarian standpoint. I understand he makes no charges, as his patients are not able to pay.

You can imagine how we would stand before a jury prosecuting a man practicing medicine without license under those circumstances in a community like that.

The CHAIRMAN. You would not get very far.

Dr. UNDERWOOD. Still it is the duty of the board of health to prosecute such individuals.

In our health work, we have had many letters testifying as to its great value. Here is one from a Mrs. Ogden. I have a few samples of a great many letters that I have had recently. This woman owns one of the largest plantations in the Mississippi Delta. And she writes voluntarily:

MY DEAR DR. UNDERWOOD: It occurs to me that you might be interested from a health standpoint in the results of the drainage projects laid out last year on my plantation by Mr. Nelson H. Rector.

In the summer of 1933 I suffered so many losses in man-power and money from long and severe cases of malaria that I wrote Mr. Rector and asked if he would come over and run levels so that I could drain the sloughs and lowlands. Mr. Rector promptly responded, and the levels were run on part of the place. He found that much of our drainage was ineffective and made changes accordingly.

We followed Mr. Rector's program as far as our finances would permit, expecting to complete it gradually. While we were working the C. W. A. fortunately for us, came in and dug two of the major ditches included in the program.

As what I consider a direct result of this drainage, we have not had a single case of malaria on that portion of the plantation during the year 1934. My books bear me out in this statement. They do not show 1 doctor's bill for malaria nor 1 grain of quinine. Heretofore on this part of the place there has been a constant expense for malaria and resultant maladies.

My books show that tenants on other parts of the place have had the usual medical care and quinine for malaria.

We have been fortunate enough to get Mr. Rector to run levels on another portion of the plantation this fall, and Mr. Ogden, and I hope to be able to continue the work.

I am writing this letter to you in appreciation of the work you and Mr. Rector have done for me, and I hope that others will avail themselves of the opportunity of this splendid service.

With kindest personal regards, I beg to remain,

Cordially yours,

FLORENCE SILLERS OGDEN.

Mrs. Ogden is a sister of the Hon. Walter Sillers, a member of the Mississippi Legislature.

Not only will it control malaria definitely there, but other diseases; that sometimes malaria will undermine the resisting power of the human body, and tuberculosis and other conditions will arise.

THE CHAIRMAN. How much have you reduced malaria in Mississippi? What are the percentages?

DR. UNDERWOOD. This has been a bad year for malaria, this past year and 1933; but in spite of that fact, we have had a reduction, and all our cases have been reduced more than 50 percent, and the deaths more than that—probably 75 percent over the past 10 or 12 years.

THE CHAIRMAN. Over a series of years, you have greatly reduced malaria?

DR. UNDERWOOD. The cases probably 60 percent and deaths 75 percent, because we do not have the malignant types that we once had at all, but I wanted to show definitely what malaria-control work would do against that particular disease.

THE CHAIRMAN. What appropriation is there in Mississippi for public-health service?

DR. UNDERWOOD. \$325,000 for 2 years, for the biennial period.

THE CHAIRMAN. Is that about the average of the States in that vicinity?

DR. UNDERWOOD. I think Mississippi has less than Louisiana and Alabama, less than Tennessee, and about on a par with Arkansas.

As to immunization and school work, we have testimonials from school teachers and others that will show the increased attendances of children in school programs, and I think that, in my judgment, gentlemen, \$10,000,000 is a most reasonable sum. The appropria-

tion, as I understand it, for the Public Health Service is about \$10,000,000 now, perhaps \$5,000,000 or \$5,500,000 spent for marine-hospital service, which is necessary, and in my judgment should be continued, and should be continued under the Public Health Service, but I do not think it is a proper charge against public health per se; so you are not doubling the appropriation for public-health work proper when you give an additional \$10,000,000 for the extension of preventive measures throughout the Nation.

Congress was very wise in making many investments that have been made—prevention of scabies in sheep and screwworm control in cattle, cholera in hogs; yet I feel that while Congress is protecting the citizens' livestock, the citizen himself and his family certainly should have equal protection—I think better protection.

The CHAIRMAN. Is there some further statement you desire to make, Doctor?

Dr. UNDERWOOD. I intended only to make some general observations and answer any questions that I could. I regret very much that I did not have a complete record of all of the States, but I believe State health officers everywhere in the country will bear me out that conditions, so far as medical care are concerned, will be about what I have stated for these States that we mentioned.

The CHAIRMAN. If you desire to extend your statement, you can do so in the record.

Dr. UNDERWOOD. At least half of this trouble could have been prevented by adequate care. If the extension of public health had been done years ago, we could have met this, at least in part, in Mississippi, by adequate health service. We have 82 counties in Mississippi, and only 25 of them have organized full-time health work. That shows the need for this extension.

The CHAIRMAN. That is about the average of the other States, too?

Dr. UNDERWOOD. I should think so. Some States have more than that; but the country over, that is a good average. Many States have only 1 or 2 organized community health services, others 10 or 12, and some as many as 75 percent of their counties are already organized; but a general average of 25 or 30 counties to the State, I believe, would be fair at this time. Certainly in Mississippi we ought to be able to—with the Federal and State and local appropriations—to organize the 82 counties. That is true of all other States.

The CHAIRMAN. All right; that is all. If you want to put anything else in the record we would be very glad to have you do so.

The committee will recess until 10 o'clock tomorrow morning.

(The following were filed in connection with Dr. Underwood's testimony:)

STATE OF GEORGIA, DEPARTMENT OF PUBLIC HEALTH,
Atlanta, Ga., August 10, 1934.

Dr. FELIX J. UNDERWOOD,
Mississippi State Board of Health, Jackson, Miss.

DEAR DOCTOR UNDERWOOD: In compliance with your request of August 8 for the number of deaths in Georgia without medical attention I wish to state that the tabulation of these deaths by months of occurrence has not been made.

In 1933 there was a total of 31,185 deaths. Of this number 5,281 occurred without medical attention. Excluding deaths from external violence there were 4,312 without medical attention.

Yours very truly,

BUTLER TOOMBS,
Chief Bureau of Vital Statistics.

ARKANSAS STATE BOARD OF HEALTH,
Little Rock, August 16, 1934.

Year	Total number of deaths	Deaths without medical atten- tion	Percent
1933			
January	1,711	164	9.58
February	1,319	137	10.38
March	1,295	131	10.11
April	1,224	148	12.09
May	1,213	180	14.84
June	1,464	275	18.78
July	1,428	210	14.70
August	1,365	255	18.72
September	1,327	182	13.71
October	1,562	212	13.57
November	1,379	342	24.80
December	1,304	301	23.08
Total	16,591	2,537	15.29

Mississippi

Year	Total number of deaths	Deaths without medical attention	Percent
1932			
December	2,069	493	23.8
1933			
January	1,905	404	21.2
February	1,609	309	19.2
March	1,925	389	20.2
April	1,679	290	17.3
May	1,588	311	19.6
June	1,911	310	16.2
July	1,824	320	17.5
August	1,706	313	18.3
September	1,537	356	19.4
October	2,008	365	18.1
November	1,814	305	16.7
December	1,811	334	18.4
Total for 1933	21,617	4,004	18.5
1934			
January	1,681	321	19.1
February	1,710	293	16.8
March	1,875	301	16.1
April	1,675	278	16.6
May	1,708	216	12.6
June	1,822	266	14.6
July	1,767	254	14.4
August	1,640	246	15.0
September	1,497	222	14.8
October	1,575	214	13.6

KING & ANDERSON, INC.,
Dickerson, Miss., August 23, 1934.

Dr. FELIX UNDERWOOD,
Director, Jackson, Miss.

DEAR DR. UNDERWOOD: I read your recent circular letter with much interest and sympathetic understanding of your position as head of the health department of the State. Certainly no department of the State government is of more vital importance nor should have more financial and moral support than that one which encourages healthy living, collectively and individually.

I wish you to know that I have persistently combated all efforts that have been made in this county to weaken the efficiency of our health department and while I know this department of working under a handicap of reduced budget

allowance, far below the value of the services rendered there is certainly no let up of the effort being made to make the county department a success.

Yours very truly,

(Signed) JOHN C. STEVENS.

MONTICELLO PUBLIC SCHOOL,
Monticello, Miss., February 15, 1934.

Mr. Q. EDWARD GATLIN,
State Board of Health, Jackson, Miss.

DEAR MR. GATLIN: We want to express to you and the State board of health our appreciation for the fine work you did in this community to eradicate the hookworm.

Before the examinations were given, we had several children who were dull, sluggish, and barely passing their required school work. Since the treatments were given, these students have been more active, doing a better grade of work, and have a much better color in their faces. Teachers are very much pleased to see the improvement these students are making from day to day.

We appreciate your many courtesies and work and hope to have you visit us again as well as the county health officer when you can help so much in caring for the health of our children.

Yours very truly,

E. L. BOOTH.

JANUARY 2, 1934.

Mr. C. E. WATKENS,
Hazlehurst, Miss.

DEAR MR. WATKENS: I have kept your nice letter on my desk since it was received—October 23, 1932—and have read it several times.

One statement impresses me a great deal:

"Especially is it difficult to measure results what might have been different but for preventive measures, but which do not show up on the credit side of the ledger because of their absence."

If people could realize this, how different many things would be. Would that all our legislators and members of Congress reasoned along this line. Some are prone to think that the incidence of disease is becoming less each year, so why spend the taxpayer's money to prevent disease. It never seems to pierce their consciousness that the program of education, sanitation, and vaccination is responsible for the lack of disease and that a lessening of the watchfulness and precautions means an increase of sickness and death from preventable diseases.

I want to assure you that I greatly appreciate your letter—words of encouragement are seeds of inspiration in these times when so many things stand as obstacles to progress in public-health work.

It is regretted that your county is discontinuing its health department—an appropriation of only \$600 more than was already appropriated would have saved it. We didn't have it and the Copiah County Board of Supervisors could not put up the amount. This is a step backward in Copiah County in the protection of the health and lives of men, women and children.

With best wishes, I am,

Very truly yours,

F. J. UNDERWOOD, M. D.

LELAND PUBLIC SCHOOLS,
Leland, Wis., May 13, 1933.

Dr. FELIX UNDERWOOD,
State Board of Health, Jackson, Miss.

MY DEAR MR. UNDERWOOD: Our schools here will close down next Friday, and I am taking the liberty of writing you to thank you again for having sent us your Dr. Perry to serve in the absence of Dr. Shackleford. We have learned to love Dr. Perry, and I feel that we have been very fortunate in having had his services in our schools for the past year. Dr. Perry is an excellent doctor; is tactful, aggressive, intelligent, loyal, and thoroughly capable; and he has done an excellent piece of work in Washington County. I wish it were possible for us to have two doctors on the job here in order that we might be able to induce Dr. Perry to stay with us.

Dr. Perry has recently concluded his work in our preschool clinic, and we had the largest and best clinic we have ever had. As a result of the preschool clinic, we find that our attendance in the first year of a child's school experience has been greatly increased. We have had fewer retentions and "repeat students" than ever before. If a county could be brought to realize that a doctor practically saves his salary on this item alone, no county would be willing to do without a full-time health unit. The work of our doctors and nurses in Washington County has been outstanding, and I, personally, am keenly appreciative of your interest in us and of the very excellent services rendered our schools by the State board of health.

Again assuring you of my sincere appreciation of all that you have done for us, and with every expression of sincere regard, I am,

Faithfully yours,

"JIM" (J. G. CHASTAIN, JR.)

FARMHAVEN, MISS., *March 30, 1934.*

Dr. FELIX J. UNDERWOOD,
Jackson, Miss.

DEAR SIR: Let me express to you my appreciation, as well as that of my entire community, for the services that your department rendered for us in the giving of the vaccination for diphtheria and typhoid fever. Of course the value cannot be expressed in dollars and cents, for the value of human lives is not measured in that manner.

This is a service that every community throughout the entire State needs. We feel fortunate, indeed, that we are one of the few communities which has had this service. How I wish that other communities might have it. My past experience and work as a school man, community worker, and leader makes me feel and see more vividly the need of such work. I trust that our legislature and that Congress will increase the appropriation so that you may be enabled to do more in the future.

Thanking you and your staff for these services to our community, I am.

Yours truly,

L. W. OWENS,
Superintendent Farmhaven School.

(Whereupon at 12:05 p. m., an adjournment was taken until 10 a. m., Tuesday, Feb. 5, 1935.)

ECONOMIC SECURITY ACT

TUESDAY, FEBRUARY 5, 1935

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to call, at 10 a. m., in the Finance Committee room, Senate Office Building, Senator Pat Harrison, (chairman) presiding.

The CHAIRMAN. The committee will come to order.

The first witness this morning is Dr. I. S. Falk. Doctor, are you connected with the United States Public Health Service?

Dr. FALK. No, sir, I am a member of the staff of the Committee for Economic Security.

The CHAIRMAN. You may proceed.

STATEMENT OF DR. I. S. FALK, NEW CANAAN, CONN., OF THE STAFF OF THE COMMITTEE ON ECONOMIC SECURITY

Dr. FALK. I think it will interest the committee if I take a little time to indicate how the studies of the Committee for Economic Security led into the formulation of a program for the extension of the Federal public health activities.

Originally the Committee for Economic Security assigned to Dr. Sydenstricker and me, the task of investigating the nature and the problems involved in the risks to economic security arising out of sickness and ill health, and in their first instructions to us they asked us to inquire into the subject of insurance against the costs of sickness, or as is commonly known, the subject of health insurance. In the course of our studies it became clear, however, that if our task was to report to the Committee on Economic Security on how to deal with the risks arising out of illness, that the soundest and the most economical way to deal with those risks was to attempt to prevent them rather than to attempt to deal with the costs after the risks had occurred.

So that when we made our first report to the Technical Board of the President's Committee, the board recommended to the committee and we in turn were instructed to attempt to deal with the subject of preventing the risks arising out of illness. All who were concerned recognized that prevention was very much more inexpensive and very much more desirable than cure.

In consequence, the staff of the President's Committee turned its attention to the subject of opportunities of preventing illness through public health activities. Out of suggestions which we made to the President's Committee created to assist us in our studies, a series of advisory groups—and I refer to that because in our studies of the

prevention of disease, the development of desirable opportunities in the field of public health, we had the assistance of very eminent physicians, dentists, hospital administrators, and public health authorities—the committee having created four boards in these respective fields, and the Public Health Committee who advised with us included among the most distinguished members of the public-health professions in the United States, and they continued active or with us in studying the needs for extended public-health facilities in the United States and for an extended program.

That committee included, for example, Mr. Homer Folks, of the New York State Charities Aid Association of New York City; Dr. Eugene L. Bishop, commissioner of public health of Nashville, Tenn.; Dr. A. J. Chelsey, secretary of the Minnesota Board of Health; Dr. Allen W. Freeman, dean of the School of Hygiene and Public Health, Johns Hopkins University, Baltimore; Dr. Clarence Hincks, director of the National Committee for Mental Hygiene, of New York City; Dr. Thomas Parran, Jr., commissioner of health of New York State; Dr. Milton J. Rosenau, of the Harvard Medical College, one of the most eminent teachers of public health in the United States; Dr. John J. Sippy, health officer of San Joaquin, Calif., who is a well-known county health officer; Mrs. Katherine Tucker, who is the director of the National Organization for Public Health Nursing of New York City; Professor Winslow of Yale University, one of the most distinguished educators in the field of public health; Mr. Abel Wolman, chief of the bureau of sanitary engineering of the Maryland Department of Health; Dr. Underwood, the secretary of the Mississippi Board of Health who testified before this committee yesterday; and Dr. Dublin, statistician and vice president of the Metropolitan Life Insurance Co., one of our most eminent vital statisticians in the country.

With the assistance of this very distinguished public-health advisory committee and of our medical advisory board, which includes some of the members among the most distinguished physicians and surgeons in the country, the hospital advisory board made up of very eminent hospital administrators and the dental advisory committee, leading members of the dental profession, all of whom considered in considerable detail the problems in the field of public health.

In the course of our studies on the subject of public health, having in mind the opportunities for preventing the risks to economic security arising out of illness, it became very clearly evident and has long been known to the public-health authorities that the American people are not nearly as healthy as they have a right to be. Millions of them are suffering from diseases and thousands die annually from causes that are preventable through the use of existing scientific knowledge and the application of what we might call common social sense in the form of well-established procedures of proven merit.

We recognize that this is true despite the fact that we as students of the subject, our advisory groups and the most of our bodies who are experienced in the subject of the prevention of disease, this is true despite the fact that the United States has in its Public Health Service and in other official agencies very eminent and competent and distinguished agencies and personnel. I think I may say that throughout the discussion of the groups that studied this problem, the highest praise and commendation of our United States Public

Health Service ran throughout the meetings and discussions, but there was also wide and profound recognition that our Federal facilities to deal with the problems of preventing disease in human beings were quite inadequate to deal adequately with the problems which face the country. There was ample evidence available, and there is, to support the sweeping statement that the American people are not nearly as healthy as they have a right to expect to be on the basis of existing knowledge and available means of preventing disease.

I would not wish to attempt to give you the details that support that statement, but to illustrate, for example, by the fact that the infant death rate which has been cut in half in the last quarter of a century, can be cut in half again merely through the application of well-established procedures of proven merit. Something like 13,000 women die in childbirth each year. It is estimated on sound authority that two-thirds of these deaths can be prevented; at least three-quarters of a million cases of syphilis are clinically recognized annually, but more than half of these do not seek or obtain treatment at that stage of the disease when the possibility of cure is the greatest.

We have been rather proud in recent years over the health and welfare of the American people. It is estimated that there are 700,000 dependent children in institutions and foster homes, many of which are not very healthful or wholesome, and that some 300,000 are crippled, a million or more are tuberculous, and more than half a million have heart damages or defects.

The mortality of adults of middle and older ages has not appreciably diminished. The expectation of life at age 40 in the United States is about the same now as it was in 1850 or in 1890 or in 1900. There has been no substantial reduction, if there has been any reduction of importance in the mortality of the adult years of life. The disconcerting evidence of impaired efficiency among our adult population takes on, of course, a much graver significance in view of the changing age of our adult population. In the coming years the population of the United States will have both proportionately and actually more adults. It is estimated that in 1950, for example, only 16 years hence, the number of persons under 20 years of age will be about the same as it was in 1930, but the older population will be nearly 30,000,000 more.

The CHAIRMAN. Doctor, may I suggest to you if you have a statement there, that you put it in the record? I may say with reference to this provision in this bill that there has been no attack on it from any source that I have heard of yet, and it does not present the same complications that some of the provisions present, namely, that these appropriations are dependent upon the State putting up something and so forth, with an administrator here that might hold a whip hand. So I would present and put into the record your statement on this proposition, about which I do not think there is going to be any trouble in the bill.

Dr. FALK. I should be glad to furnish for the record the further detailed statement and the evidence upon which the recommendation was based, that there is a very important need for considerable extension of Federal appropriations for public health.

The CHAIRMAN. I think it is pretty generally conceded. If some question arises, we can call upon you on that proposition in order to expedite the consideration of the bill.

Dr. FALK. Of the older population of the United States, about one-third will be in the age group 20-44 years, one-third aged 45-64

years, and one-third will be over 65 years old. We can no longer squander the vitality of our grown men and women. The task of health conservation must be broadened to include adults as well as children.

Evidence is accumulating that the health of a large proportion of the population is being affected unfavorably by the depression. The rate of disabling sickness in 1933 among families which had suffered the most severe decline in income during the period 1929-32 was 50 percent higher than the rate in families whose incomes were not reduced. The death rate in unemployed families was approximately 20 percent higher than in families which had one or more full-time wage earners. The death rate in our large cities so far in 1934 has shown a definite increase over the corresponding period in 1933. In spite of this situation, local appropriations for public health have been decreased by 20 percent on the average since 1930, and health departments have had to carry on as best they could with increased burdens brought about by unemployment. The per capita expenditure from tax funds for public health in 77 cities in 1934 was 58 cents as contrasted with 71 cents in 1931. These curtailments in expenditures for public health during the emergency period have not created the need for a larger public health program; they have served only to make an ordinary need more acute.

The policy of leaving to localities and States the entire responsibility for providing even minimal public health facilities and services has failed in large measure. Of the 3,000 counties, only 528 are provided with full-time health supervision. When the adequacy of the local health departments which exist is carefully considered, it is found that only a relatively small proportion, 21 percent (75 counties and 102 cities), have thus far developed a personnel and service which can be rated as even a satisfactory minimum for the population and the existing problems.

We have prepared a map showing for the counties of each of the States the adequacy of the public health services as judged by sound professional standards. The counties which probably have adequate health departments are shaded black. You will observe on this map how few counties are in this class. A large proportion of the counties of the eastern and middle-western States are shaded in dark cross hatch. These probably have adequate health departments in their cities and have a sufficient population outside the cities to justify a full-time health department. The numerous counties cross-hatched lightly have a population sufficient to warrant a full-time department. The numerous counties which are shown dotted probably have inadequate health departments. Those counties which are left white require some modified plan of health supervision because their population is small and sparse. This map brings out clearly how far we are in the United States from adequate local public health protection.

As President Roosevelt said when he was Governor of New York, other than for the failure of local finances and facilities:

* * * there is no reason for tuberculosis to be twice as prevalent in some sections as in others; for deaths and illnesses from diphtheria to continue to occur when some municipalities have been able to stamp it out entirely; for twice as many babies to die each year in some cities as in those where a modern health program is in force; for the rate of decline of many preventable diseases and certain death rates to be higher in rural communities with no organized health service, than in urban communities where health service is available; or for those

citizens of the lower economic rank to suffer a higher death rate from practically all causes.

The Federal Government's responsibility for the protection of all of the population against disease has been recognized for a long time in the public health activities of several departments. The precedent of Federal aid to States for State health administration and for local public health facilities also has been established in various laws for grants-in-aid and in loans of technical personnel to States and localities.

It was therefore proposed that as essential steps toward the prevention of the risks to economic security arising out of ill health, the Federal Government should further discharge its responsibility in the following ways:

1. Providing assistance for localities by Federal grants-in-aid where serious public health needs are found to exist and local resources are being employed to the utmost.

2. Helping to develop administrative and technical facilities in State health departments in order that State-wide services, as well as local services, may be efficient.

3. Strengthening and enlarging the facilities of the United States Public Health Service and the United States Children's Bureau in order to discover and test methods of disease prevention and to provide technical personnel to be loaned upon request to other Federal agencies and to State and local health departments.

As regards these proposals, a general survey of needs and minimal costs has been made. As a result of this survey it has been found that even a minimum program of adequate health protection for the American people requires annually about \$21,000,000 more Federal money than is now being spent. The total amount expended by the Federal Government for human-health services is at present only about \$5,000,000 a year, or about 4 cents per capita. A careful consideration of the subject showed, however, that the technical staff of the Committee on Economic Security and its public health advisory committee could properly recommend this broad and much-needed program which would require \$21,000,000 a year of additional money. Instead, the staff and this advisory committee recommended that the annual allotments to the United States Public Health Service should be increased by \$10,000,000 as a minimum. The needs of the country are considerably larger, but it was agreed that before a larger amount can be efficiently spent it will be necessary to train additional personnel and to test further certain practical procedures through which certain diseases can be more effectively controlled.

The following statement on preventive measures was transmitted to Secretary Perkins, Chairman of the President's Committee on Economic Security, by the Medical Advisory Board to the Committee:

A logical step in dealing with the risks and losses of sickness is to begin by preventing sickness so far as is possible by methods of demonstrated effectiveness. At the present time we believe that appropriations for public health work are insufficient in many communities, whereas a fuller application of modern preventive medicine, made possible by larger public appropriations, would not only relieve such suffering but would also prove an actual financial economy. Federal funds, expended through the several States, in association with their own State and local public health expenditures, are, in our opinion, necessary to accomplish these purposes and we recommend that substantial grants be made.

May I conclude then by saying, Mr. Chairman, that the recommendation from the staff of the President's Committee on Economic Security indicated that there was opportunity and need for something like \$21,000,000 of new Federal appropriations for public health work which could be wisely spent, but that it was not feasible to spend that much money effectively, principally because of deficiencies in available trained personnel; hence, the proposals which came up to the President's Committee and which they recommended to the President included the proposals for the expansion of the Federal Public Health provisions to the extent which is covered in the present substance of title 8 of the bill, recognizing the need for both strengthening the investigative opportunities of the Public Health Service for the prevention of diseases and to deal with sanitary problems of interstate and national nature, for the extension and enlargement of their trained personnel, and for grants in aid to the States and through the States to local communities.

The CHAIRMAN. I wish you would tell Dr. Sydenstricker also that if he has some statement with reference to the matter, to let up put it in the record in connection with the hearings, or anyone else, with reference to public-health provisions of the bill, and you may enlarge, yourself, and file your additional material.

Dr. FALK. Thank you, sir; I shall transmit the message and comply with your suggestion.

The CHAIRMAN. And if we want to ask any further questions, we can call you.

Dr. FALK. Thank you.

STATEMENT OF M. M. WALTER, REPRESENTING THE NATIONAL REHABILITATION ASSOCIATION

Mr. WALTER. My brief remarks, Mr. Chairman, will be concerned with paragraph (a) of section 702 of the bill, which provides for the permanent care and cure of crippled children.

This measure provides for the physical restoration of crippled children, but it does not take into consideration their vocational rehabilitation, in other words, to carry them half-way across the stream, and then expect them to get across the rest of the way the best they can.

The Committee on Economic Security, in its report, was not unmindful of this problem, because on page 40 they make this statement:

At this point we desire to call special attention to the importance of special programs for the physically handicapped, of whom there are many millions in this country. Since the passage in 1920 of the Federal Vocational Rehabilitation Act, the Government has been assisting the States in a service of individual preparation for and placement in employment of persons vocationally handicapped through industrial or public accident, disease, or congenital causes. Forty-five States are now participating in this program and since it was launched approximately 68,000 permanently disabled persons have benefited from this service. The work done has shown gratifying annual increases, even in the depression, but is still small in comparison with the need. The desirability of continuing this program and correlating it with existing and contemplated services to workers in the general program of economic security we believe to be most evident.

In discussing this matter with the administration as to the reason why provision was not included in the bill for vocational rehabilitation of the disabled, they told us that they felt that the matter was being adequately taken care of at the present time, and that is the reason there was no specific provision made for it. After we had

presented to them the present needs of the disabled and what was being done for them, they agreed with us that there should be a provision in this bill to further the vocational rehabilitation of the disabled, and that is the reason I wish to present that matter to you today.

The CHAIRMAN. Who is it that told you that?

Mr. WALTER. We discussed the matter with Miss Lenroot, of the Children's Bureau, and Dr. Altmeyer.

The CHAIRMAN. Miss Lenroot stated yesterday that she had some amendments which she was going to submit. I was just wondering whether that was one of the amendments?

Mr. WALTER. No; they told us that we should submit the amendment, and if there were any questions raised about it, they would be glad to discuss it. Vocational rehabilitation is logically a part of any program of economic security, because it is primarily concerned—

The CHAIRMAN (interrupting). Where would you submit that amendment?

Mr. WALTER. I would suggest that the amendment be submitted on page 55, after line 2. I will be glad to read the proposed amendment to you.

In order that crippled children who receive medical care and other services under paragraph (a) of section 702 of this act may be given vocational guidance, training, and placement in employment, as provided by an act entitled "An act to provide for the promotion of vocational rehabilitation of persons disabled in industry or otherwise, and their return to civil employment", approved June 2, 1920, as amended (U. S. C., title 29, secs. 31, 32), and to carry out all provisions of said act of June 2, 1920, as amended, there is hereby authorized to be appropriated for the fiscal year ending June 30, 1936, and annually thereafter, the sum of \$2,040,000 for allotment to the States, provided that not in excess of 5 per centum shall be used for administration by the Federal agency authorized to administer said act of June 2, 1920, as amended.

In order to provide for correlation and to prevent duplication of services, the Division of Vocational Rehabilitation in the Office of Education and the Children's Bureau of the Department of Labor shall, in carrying out the provisions of this act, establish a plan of cooperation between their respective offices and provide for similar plans of cooperation between the respective offices and provide for similar plans of cooperation between the respective offices and provide for similar plans of cooperation between the respective State agencies carrying out the provisions of this act, such cooperative agreements to be incorporated in the State plans submitted to the respective Federal agencies for approval.

In connection with this second paragraph, Mr. Chairman, I believe that Miss Elliott yesterday did submit another amendment to the act which will take care of this second paragraph, so it may not be necessary to include that.

In brief justification of this suggested amendment, I might say that during the past 5 years, there has been a marked expansion in the need for vocational rehabilitation of the disabled. In 1930 we rehabilitated or returned to profitable employment, approximately 4,500 disabled people. In 1934 that number was increased to over 8,000, an increase of approximately 75 percent.

Senator KING. When you say "We did it", would not some of them automatically by their own efforts have gone back to employment?

Mr. WALTER. Many, many did, but I am speaking specifically of the service rendered by the vocational rehabilitation bureaus in specific States, what they did. They were responsible for making it possible for over 8,000 people returning to economic security, and without this

service it would have been practically impossible for them to have done it.

The CHAIRMAN. How much appropriation does the Federal Government make for that kind of work?

Mr. WALTER. We are now receiving \$1,000,000, and last year we received a special appropriation of \$800,000 from the Emergency Relief funds; that money is apt to be withdrawn at any time, and in order to take care of that slack, there was a bill introduced in the house 3 or 4 weeks ago to increase our appropriation from \$1,000,000 to \$2,000,000, but we feel that it is logically a part of this permanent program of economic security, and for that reason we have suggested this amendment to be included in the bill to take care of the bill which we have introduced and to take care of the present legislation.

The CHAIRMAN. That applies only to children?

Mr. WALTER. No; to all physically disabled people of employable age, but it includes children who are employed and who have reached the age of 16, of which we serve approximately 22 percent every year. Fifty-eight percent are of the ages between 21 and 40, and 22 percent approximately of the ages between 16 and 21.

Senator KING. For whom do you speak?

Mr. WALTER. The National Rehabilitation Association.

Senator KING. Is that a national organization?

Mr. WALTER. That is a national organization.

Senator KING. Formed voluntarily?

Mr. WALTER. Formed voluntarily.

Senator KING. And who selected you to come here?

Mr. WALTER. I happen to be chairman of the legislative committee of that association.

Senator KING. Have they met recently?

Mr. WALTER. Yes, sir; our legislative committee met in Pittsburgh in December, and the annual meeting of the association was in Louisville last October.

Senator KING. What is the overhead of your organization?

Mr. WALTER. The administration costs are 15 percent.

Senator KING. Then there is 85 percent of this \$1,000,000——

Mr. WALTER (interrupting). Goes into case production service.

Senator KING. Would not case production be also overhead?

Mr. WALTER. No, that is concerned with the annual serving of the disabled out of the field. For approximately every \$12,000 of budget, we must have one case worker in the field to interview and investigate disabled. The problem is an individual case problem entirely. We have to deal with it in that way. We cannot deal with groups.

Senator KING. How many employees in your whole organization in all parts of the United States?

Mr. WALTER. I could not answer that question, but I can obtain the information for you from the Federal office of education.

Senator KING. Where is that office?

Mr. WALTER. In the Department of the Interior.

Senator KING. Of course, there is a great deal more than 15 percent used in meeting the expenses of all of those who are employed in executing the law or the plan?

Mr. WALTER. Approximately 15 percent is used for administration. That is as far as the supervisory end of the problem is concerned, and

an additional 20 percent is used to take care of the salaries and expenses of case workers.

Senator KING. That is 35 percent.

Mr. WALTER. Yes, and the rest of the money actually goes in training, appliances, and other necessary services.

Senator KING. So that at last it would be only 65 percent would go to the individuals.

Mr. WALTER. That is being used absolutely for the individuals.

Senator KING. Do the States make any contributions?

Mr. WALTER. The States match the Federal appropriation. In that connection I might say that they more than matched the Federal appropriation last year. The Federal appropriation amounted to \$1,000,000, and last year we received \$900,000, and the States matched over \$1,000,000, and in addition we received this \$800,000 as their appropriation.

Senator KING. Does your central organization, if there be one, does it attempt to dictate who shall be named in the various States to enforce the law?

Mr. WALTER. No; there is no dictation at all. I happen to be the director for the State of Pennsylvania and I can assure there is no dictation from Washington.

Senator KING. Who names the various persons employed in carrying out the policies of the organization?

Mr. WALTER. That is all controlled by the State council of education. The Federal law provides that the control and supervision of this work must be under the State boards for vocational education.

Senator GUFFEY. Under Dr. Rhodes?

Mr. WALTER. Yes.

Senator KING. The States could not settle their own?

Mr. WALTER. The States prepare their plan under the Federal law, and submit it to Washington for approval, and if it meets the general policies as layed down in the Federal law, there is no question raised.

Senator KING. Suppose the States should feel that it would be better to place the enforcement of this plan in the hands of the labor organizations created by the State law. That countervention of your plan?

Mr. WALTER. It just happens that in Pennsylvania it is in the department of labor, and we have a cooperative agreement, and it has worked; it has been working very satisfactorily for the last 12 years. That is unusual, because in the majority of the States the program is functioning in the department of public instruction.

The CHAIRMAN. My recollection is that immediately after the war we appropriated quite a large sum of money for rehabilitation work.

Mr. WALTER. That is veterans' rehabilitation. This is civilian rehabilitation.

The CHAIRMAN. Do we still make an appropriation for that?

Mr. WALTER. No, that stopped in 1924. We are now taking care of the disabled veterans who need rehabilitation and readjustment. We are taking care of those cases ourselves.

Senator KING. What do you mean by "readjustment"?

Mr. WALTER. Here is a man that has been employed and his employment has for technological reasons become obsolete. He can no

longer continue. He needs service to adjust himself in a new occupation. We are able to provide that service for him.

Senator KING. Would those activities conflict with the labor organizations that are set up by the Federal Government in cooperation with the States?

Mr. WALTER. No, sir. Under the Wagner-Peyser Act, we cooperate under the compensation boards and other agencies. There is no conflict there at all.

Senator KING. It seems to me, and this is merely an aversion of my own view, if we could consolidate a lot of these organizations and bureaus and departments of the Federal and State agencies, it would be a good thing, a wise thing. We are operating these bureaus and organizations and increasing the personnel until I am told that about 1 out of every 5 or every 7 persons, certainly of adults, is on either the Federal or State or municipal pay roll.

Mr. WALTER. Well, I am not here to discuss that subject; I am not familiar with the figures.

Senator KING. It seems to me that the multiplicity of organizations calls for consolidation. That is all.

The CHAIRMAN. Was there something further, Mr. Walter? Do you want to put any remarks in the record?

Mr. WALTER. I would like to have the suggested amendment included in the record, and the excerpt from the report of the Committee on Economic Security.

The CHAIRMAN. That has been put in.

Mr. WALTER. Thank you very much.

The CHAIRMAN. The next witness is Mr. George A. Huggins.

STATEMENT OF GEORGE A. HUGGINS, CONSULTING ACTUARY, PHILADELPHIA, PA., MEMBER OF EXECUTIVE COMMITTEE, CHURCH PENSIONS CONFERENCE; ACTUARY FOR MINISTERIAL PENSION FUNDS OF VARIOUS DENOMINATIONAL BODIES SUCH AS PRESBYTERIAN IN THE UNITED STATES OF AMERICA, PRESBYTERIAN UNITED STATES, UNITED PRESBYTERIANS, DISCIPLES OF CHRIST, CONGREGATIONAL, METHODIST EPISCOPAL, SOUTHERN BAPTIST, AND OTHERS

Mr. HUGGINS. I represent a group of workers who have not been a social care on the communities in which they live in their age or disability, for the reason that they have been cared for by the groups whom they serve. I refer to the Protestant clergymen and preachers.

The Church Pensions Conference, which has held a special meeting in Washington, February 4, 1935, to consider the Economic Security Act, is an organization which includes the pension systems of 22 denominational bodies in the United States of America and one in Canada, together with the retirement systems of the Y. M. C. A. and the Y. W. C. A.

These 22 denominations include 109,581 ministers serving 135,250 Protestant churches with 25,385,549 members, distributed among the three Presbyterian bodies, Methodist North, and South, Baptist North and South, 5 Lutheran bodies, both Reform churches, Episcopal, Congregational, Christian, Disciples of Christ, Evangelical, Nazarene, United Brethren, Unitarian, and Universalist.

The 22 denominational pension systems have combined assets of \$155,000,000, using round figures, of which \$71,650,000 constitute endowment funds, and \$83,350,000 reserve funds.

Senator KING. Consisting of what?

Mr. HUGGINS. High-grade bonds, a small proportion of stocks, a proportion of first mortgages secured by real estate—urban, suburban, and farms—and a small proportion of real estate, some of which has been acquired recently under foreclosure proceedings.

Senator KING. How many organizations are there that control or have the control of or who are the depositories of these securities?

Mr. HUGGINS. As a general rule, these boards are incorporated agencies of their denominational bodies. In two cases they are departments of the general church body, but in most cases they are separate corporations under the direction of the governing bodies of the church, and, in a few cases, also, they are under the supervision of the insurance department.

Senator KING. I was just wondering how many such agencies there were who held these \$155,000,000 of securities.

Mr. HUGGINS. We represent 25, and then there are a number of smaller ones in the smaller denominations. Probably there are an additional 10.

The CHAIRMAN. What is it that you want done?

Mr. HUGGINS. Briefly, the provision which we have been making, and some of these agencies have been in existence—one of them since 1717, and another one since 1837—the provision which we are making for our aged ministers is generally larger than contemplated under the governmental contributory plan, and that is particularly true during the early years of the development of the new plan. For example, the Episcopal pension fund today is paying pensions as high as \$1,500 with an average of almost \$1,000.

Senator KING. That is to the ministers?

Mr. HUGGINS. Yes, sir.

The CHAIRMAN. What is the age limit when you give pensions, generally speaking?

Mr. HUGGINS. Sixty-five, and, in some of the groups, 68 is the minimum retirement age. In addition to that, we provide quite substantial disabled pensions to those who become totally and permanently disabled prior to attaining retirement age.

We have had another problem, and that is that we have always considered the wife as part of the manse or parsonage and therefore we make quite substantial provision for pensions of widows and minor orphaned children. As a result of that, wide coverage, we have developed pension systems operated on the contributory-reserve plans on the actuarial basis that are supported by contributions which are the equivalent of 6 percent of the salary, and in some cases, 7½, and in others 10, and in others, 10½ percent. In other words, we have created, in some of these groups, quite substantial systems supported on quite a liberal basis in order to give this wide coverage, which is far wider than is generally given in industrial pension systems.

Our point is this: We are in entire sympathy, being religious leaders, with economic security for workers, but we are disturbed as to the effect of the Government contributory plan on our pension systems, for the reason that we will have to maintain some systems anyway in

order to take care of the men whose wages are over \$250 a month, and they represent, on the average, about 15 percent of the total group. It naturally varies somewhat in the denominations, but it averages about 15 percent of the total group. Then we would have to take care of the disabled, because they do break down in this form of service. We would have to take care of the widows and the minor orphans. It would be very difficult for us to get the churches and individuals to contribute to these funds which we will have to maintain in addition to the earnings and excise tax paid by the employing churches. It will be difficult for us to get them to contribute to both, particularly as when we trace the life service of these ministers we find that they start out comparatively at low salaries, therefore, in their earlier years, they would be in the governmental plan; then, in the prime of life, they would be in our plan, those whose salaries are over \$250; and then, in the later years of life, they would come back in the Government plan.

Furthermore, there will be some who will be in the Government plan one year and out of it the next, where the salary basis borders on the \$250, and a change of church might throw them from one group to the other.

The CHAIRMAN. What is your suggestion?

Mr. HUGGINS. We have an amendment that we would like to propose to section 307, subsection 5, page 20, line 24:

Strike out the period in line 24 and insert a comma and add the following:

Excluding every individual for whom a provision is made and maintained through an organization or the purpose, which provision is at least equal to the provision made under this act for such individual, as found from time to time by the Social Insurance Board.

Senator KING. Is that all of the amendment?

Mr. HUGGINS. Yes, sir.

Senator KING. What is the effect of it?

Mr. HUGGINS. The effect will be that any of our ministers who are covered by a contributory plan which provides at least the benefits provided under the Governmental plan would be cared for by his denominational plan. Those men under these plans will get larger pensions than under the Governmental plan, and their disability will be provided for, and their widows and minor orphans just as we are doing now and have been doing for some years and been developing these contributory-reserve plans.

The CHAIRMAN. Was this suggestion made to the committee, the Presidential committee, or the cabinet committee?

Mr. HUGGINS. No, sir.

The CHAIRMAN. Have you presented the matter to the Ways and Means Committee?

Mr. HUGGINS. No, sir. I submitted some of the data relating to these pension funds to the Committee on Economic Security through their research director, Mr. Cohen, and we have talked this matter over with individuals there, but, you see, we called this conference yesterday and had these representatives of these denominational pension systems together in order to discuss the whole situation, and I am here at the request of that conference held yesterday.

The CHAIRMAN. And you think that the preachers in these various denominations prefer to be excluded from the operations of it and to follow the course that is now pursued by the churches?

Mr. HUGGINS. I cannot speak exactly as you say. You asked me if I think the preachers would. I can only say that in my opinion I think they would.

Senator KING. Let me ask you a question. Do you not think that it would be highly improper for the Government in setting up a pension to discriminate against any section or any group or in favor of any section or any group; that is to say, give larger pensions to preachers than it would give to others.

Mr. HUGGINS. I agree with you, and we are not raising the question of excluding the group as a group. We are raising the question of excluding the individual members of the group where the provision is of wider coverage than the governmental plan.

Senator KING. And by that you mean that they would be exempted from making any contribution?

Mr. HUGGINS. To the Government.

Senator KING. To this fund?

Mr. HUGGINS. Yes, sir.

Senator KING. And make their contribution, whatever it is that is made, to the organization with which they are identified.

Mr. HUGGINS. Yes. You see, the problem is very much complicated with us because of the fact that we have a percentage of these groups of workers who would be excluded from the Government's plan all the time, and some of them would be in and out from year to year, and the majority would be partly in and partly out at some period in their career.

I will amend that (c) to say that many would be in and out at some time in their career.

Senator KING. Would you want all of the beneficiaries of your pension system excluded from the operation of that law, if we enact it, that is, exempt or exclude not only those whose compensation is over \$250 a month, but all who are ministers?

Mr. HUGGINS. Yes, sir.

Senator KING. Exclude them all?

Mr. HUGGINS. Yes, sir; exclude them all. Not as a group of a class of workers, but because, through their denominational pension systems, they will care for them and take them out of the general community problem.

Senator KING. I see.

The CHAIRMAN. I wish you would, after you have finished your statement, or, if you want to enlarge on it, put it in the record, but see the expert of the committee and have him arrange for you to have a conference with Dr. Witte, and you discuss this proposition with him.

Mr. HUGGINS. I would be very glad to do that.

The CHAIRMAN. We are likely to get all of the preachers of the country on our backs here if we adopted such a suggestion.

Senator KING. We might need them for spiritual consolation. [Laughter.]

The CHAIRMAN. But you will follow this suggestion, so that we may have the benefit of expert advice. It is rather technical.

Have you any further statement?

Mr. HUGGINS. Yes, sir; I have this statement here.

The CHAIRMAN. That may go in the record.

(The following additional statement is submitted by Mr. Huggins:)

The 22 denominational pension systems have combined assets of \$155,000,000, using round figures, of which \$71,650,000 constitute endowment funds and \$83,350,000 reserve funds. Their yearly income approximates \$13,000,000, of which \$6,000,000 represents earnings on their invested funds.

They are paying yearly to 32,000 beneficiaries more than \$9,000,000 in benefits. The reason why these denominational bodies have set up their own pension systems is that the churches have always regarded as their own social responsibility the case of their ministers who come to age or disability. Furthermore, they have regarded as an integral part of their responsibilities provisions for pensions to widows and minor orphans of deceased ministers, thus making a broader and more inclusive pension coverage than is usual in industry.

One of those pension agencies started to function in the year 1717 and one in 1837. While operating for many years as agencies for providing relief grants based upon need, many of these in recent years have developed into contributory reserve systems, operated on sound actuarial bases.

The problem of providing pensions for ministerial groups is a different one from that of industrial workers, as by far the greater number dedicate their lives through long years of preparation to this form of service, and it is the exception when they give it up for secular work, even though changing from church to church, or agency to agency within a denomination, or even changing their ministerial standing from one denomination to another. And, further, the widows and minor children must be cared for as parts of the life of the parsonage as already stated.

These contributory-reserve systems are maintained through regular dues payments equivalent to 6 percent or 7½ percent or even 10½ percent, as the case may be, and the pension benefits are likewise related to the salaries received during service. The minister's share of the pension cost is 2½ percent, in some cases, while, in others, the local church or other salary-paying organizations pay the entire cost.

As a group of religious leaders the members of the Church Pensions Conference are, naturally, very sympathetic with the social ideals of the economic-security act, and with plans for the economic security of employed persons. However, with some temerity, we wish to state that we are disturbed as to the probable effect of the Federal contributory age-annuity plan on these denomination pensional systems over which we have labored so many years and which we have built up at such great cost.

We have to consider that, as a group of workers, ministers are not paid on a profit basis, but in fact on the basis of a living wage. And yet, because of the social and economic demands on them in every communion, there are some who are paid amounts in excess of \$250 per month, and, being classed as nonmanual workers, would, therefore, not be included in the Federal plan.

This excluded group constitutes percentages of the total group of active workers that varies somewhat in the several bodies, from about 5 percent to about 25 percent, with a general average approximating 15 percent. Furthermore, when the life service of those individuals who are thus excluded is studied, we find that on the basis of the

remuneration received in the early years of their service, and, in many cases, in the later years, they would be included during such years. That is, the higher range of salaries among ministers applies usually to their services in the prime of life.

Therefore, some of the group would be included in the Federal plan in the earlier parts of their careers, then excluded, then later re-included, while, in some cases, the worker might be included 1 year, excluded the next, and vice versa.

So far as a ministerial group of workers is concerned, it would have better fitted their needs to have been all included up to a wage basis of \$250 per month, and let the denomination, through its pension plan, make such additional provision for age annuities as was required; also, as to pensions payable upon total and permanent disability occurring prior to retirement age also benefits to widows and orphans. The pension fund of the Episcopal Church is now paying age pensions up to \$1,500 with a general average of about \$1,000, and other pension funds will, in a few more years, approach these figures.

It is hardly possible actuarially to operate successfully a group-pension plan where only a small percentage of the group are included and those just the higher-salaried members of the group, who generally are in the later middle years of life, especially where the individuals in this group change from year to year, as their salary changes would pass them in or out of the group.

On the other hand, it would be difficult to get ministers and local church boards to pay the earnings and employment excise taxes 1 year and then skip 1 or more years, then resume, and at the same time pay in correspondingly fluctuating sums to their denominational pension boards in order to provide the pensions to the higher-salaried men, the disability pensions for all the group, the widows' pensions, the orphans' pensions, and, besides, the supplemental pensions which would have to be provided in the earlier years of the operation of the Federal system, where the age annuities are limited to 15 percent or only slightly higher percentages of average salaries, limited to \$150 per month.

Furthermore, most of these pension boards also make provision for the missionaries of their churches, home and foreign, and the larger part of the foreign missionaries would be excluded from the Federal plan because of performing the greater part of their duties outside the continental United States.

Without depriving anyone of the right to be cared for under the Federal plan, the amendment we propose will enable the church pension funds which can demonstrate to the social-insurance board their ability to do so to make provision for larger age annuities for their beneficiaries than the Federal plan. For these reasons the members of the Church Pensions Conference respectfully request the attached amendment to the bill, (previously submitted in this statement).

(Mr. Huggins subsequently sent the following telegram:)

ATLANTA, GA., February 7, 1935.

Senator PAT HARRISON,

Committee on Finance, Senate Office Building.

As per your request when I appeared before your committee February 5, I advise that 60 percent are ministers and 40 percent widows and orphans. My testimony related to 32,000 beneficiaries of church pension funds.

GEORGE A. HUGGINS.

The CHAIRMAN. The next witness is Owen E. Pence, National Council of Young Men's Christian Associations.

Senator KING. Is that different from the Young Men's Christian Association?

Mr. PENCE. No, sir. It is the official body of Young Men's Christian Associations of the United States in all the different local communities. It is a constituted body set up by their representatives and under a constitutional procedure.

STATEMENT OF OWEN E. PENCE, NATIONAL COUNCIL OF YOUNG MEN'S CHRISTIAN ASSOCIATIONS, 347 MADISON AVENUE, NEW YORK, N. Y.

I speak as a representative of a special committee on security recently authorized by the general board of Young Men's Christian Associations of the United States, which is the ad interim body of the National Council of local Y. M. C. A.'s.

The National Council of Y. M. C. A.'s is the national agency of 1,160 local Y. M. C. A.'s in this country, and the related State organizations thereof. It does not speak with final authority for these on matters of national policy or on legislation, but, by reason of its constitutional and directly representative character, it does from time to time give expression to various cooperative aims and enterprises which the local units may authorize.

In 1931 this National Council took action supporting, among other social ideals of the Federal Council of Churches, the following:

Insurance, socially administered at cost, against invalidism, disabilities from illness and occupational injuries, want in old age, and enforced unemployment—and added—

That in advocating these social ideals for adoption generally, the associations themselves should seek to apply these principles in their own practices and relations as employers.

In 1934, in reaffirming this general position, the National Council expressly gave instructions—

To keep abreast of all developing social legislation proposals having to do with employee security and to call the attention of the council and the associations to any point on which action is deemed desirable.

During the past month—

The general board of Y. M. C. A.'s of the United States, keenly aware of the national character of the social-security problem of our people, requested the committee on security * * * to keep abreast of progress toward Federal legislation and to support legislation affecting employees of the National Council in line with the highest standards of Christian responsibility.

Thus, while not overlooking the concern of over a million and a half of our members and other constituency, largely youths under 25 years of age, who are deeply involved in plans and public policies for making jobs and self-maintenance possible, and for avoiding hazards to self-respect and security with which this bill deals, we speak particularly as representing agencies which employ approximately 16,000 persons, the larger part of whom fall within the general definitions of the proposed act.

Senator KING. Do you propose stating how those 16,000 are employed?

Mr. PENCE. I may say that 3,500 of them are professional workers—we call them secretaries—and about 12,000 are nonprofessional workers. They maintain the buildings, the office services, restaurant, and such services.

Senator KING. Those 3,500 that you just mentioned—what do they do?

Mr. PENCE. They are those who guide the general administration program and policy assets, and lead in the activities there, and with many lay workers, of course.

Senator KING. The personnel within that group changes very frequently, doesn't it?

Mr. PENCE. The average tenure of those whom we call professional workers, and of course it is never complete until each stops, runs into about 12 years, but we think of it as a career for large numbers.

Senator KING. They are recruited from various walks of life, and, after their 12 years of service, they return to the various business pursuits?

Mr. PENCE. A certain proportion do, but increasingly the tenure is lengthening, as our standards for entrance have been raised. These are now higher.

Senator KING. Is theological training necessary?

Mr. PENCE. No, sir; few have had it. A general college education is now the minimum for entrance.

Senator KING. Is there any—I do not use the word "orthodoxy" in an improper sense—are there any fundamental principles of religion to which they must give adherence in order to come within that group, or do you take people with any religious views, or people whose ideals or ideas regarding the Christian religion and the vicarious work of Jesus Christ are quite at variance with the orthodox view?

Mr. PENCE. There is considerable latitude, but the traditional relationship of the Young Men's Christian Association is in close association with the Protestant-church view, although its membership in the last full census of communicant relationship included at least 20 percent from other than Protestant groupings. Its secretariats and, in general, its boards have been more largely drawn—almost exclusively drawn—from the Protestant group, but even there the national body gave formal recognition to local associations who might have as many as 10 percent at least of local boards from other groups, and, more recently still, each association is self-determining in regard to these matters. That was by formal action in 1933.

Senator KING. The reason that I make this inquiry is that I have been in some countries where I came in contact with organizations labeled Young Men's Christian Association, and some of the persons at least from my point of view expressed sentiments not at all in harmony with the Christian faith. They were agnostics and some of them were extreme in that, and yet they found refuge and were in service in this association.

Mr. PENCE. I must point out that people of any country have their freedom to develop a Young Men's Christian Association movement, and each movement is autonomous, joined in a fairly loose world alliance, without formal controls except in certain respects as to recognition. Therefore, the American associations do not determine these matters for associations of another country, although they may use the name under the generally loose Federal or world alliance.

The CHAIRMAN. You may proceed.

Mr. PENCE. I was speaking of the 16,000 persons who are all in our present employed personnel, that the larger part of them fall within the general provision of the proposed act. We desire that the degree of support indicated by the foregoing official actions be entered upon your record and, by this means, to give general approval to the board purposes of the measure.

As a private agency, non-profit-making in character, and dependent to a considerable degree upon community good will and support, we do not overlook that the proposed measure adds materially to the budget costs of employing organizations. The pay roll of our associations aggregates nearly 15 millions of dollars annually.

Senator KING. In the United States?

Mr. PENCE. In the United States alone. That is just over 40 per cent of the current operating budget. Such a charge naturally affects the capacity of an agency so supported to extend or even to maintain the heavy volume of low-charge or free services which practically all local associations have been carrying during the past 5 years. Nevertheless, we believe the present hazards to security of employed personnel totalling 16,000 persons demand attention, and that such charges should be paid gladly.

May I comment that we would like to make that point clear, because we understand that some agencies who are somewhat similarly dependent upon community good will and support would like to have a complete exemption from the operation of the act in their behalf in every particular.

The CHAIRMAN. You do not wish that?

Mr. PENCE. We do not wish that, and on the contrary, we support the act.

The Y. M. C. A. has maintained for many years a private retirement plan, under the insurance laws of New York State. Thus far it has provided benefits for our professional workers only. It has paid no benefits to over 12,000 nonprofessional employees. Representatives of this retirement fund have, after due consultation, associated themselves with the suggestion just made (to be made) on behalf of the church pension boards. Partial though the coverage of our present fund is, we very much desire to maintain such plan in efficient operation; provided, it may be possible to work out feasible administrative procedures, and to set controls by which Federally adopted standards of social protection shall be unqualifiedly maintained.

We strongly urge that, if such an arrangement is permissible, it shall in no wise affect unfavorably the right of other workers not so covered to claim benefits under the Federal-State plan. Such special provision, we would urge, should be so devised as to permit optional, not compulsory, participation by any or all of our employees eligible for recognition under the Wagner bill, S. 1130.

If I may present for the record but not occupy your time with a further statement from the Official Yearbook of our organization, dealing with some of these problems, I should like to conclude by a personal word to say this. I have spent most of my professional life on behalf of American youth, and especially in the study of their problems of occupational adjustment. There is no problem before our people today so full of significance for the future of this country

as the sense of bafflement and defeat with which youth faces its uncertain vocational future.

If there were no other reason at all for doing so, I would myself enthusiastically support this measure because of its provisions for the Federal compulsory contributory pension system, because of the opportunity it may give for young workers to build up some basis for their own security in old age.

I would also like to stress that the efficiency of any system of social protection depends upon the definition and maintenance of suitable standards, and operation by competent personnel. There may be a genuine danger in allowing to States too large measure of latitude in devising widely differing systems of unemployment insurance. It is my personal view that these considerations are of such importance as to warrant the use of direct Federal subsidy to the extent necessary to establish and maintain a system of unemployment insurance which will afford a substantially equal degree of protection to all, regardless of where they are employed.

Senator KING. When you speak of Federal subsidy, you do not mean to exclude the duty of the State?

Mr. PENCE. On no account, but merely to safeguard the problem of standards which have been debased, at the point where the question of competence of personnel and adequacy of coverage and, in general, relatively equal coverage shall be available for all citizens coming under the purview of the act.

Senator KING. Your plan does not contemplate that the persons who might be entitled to benefits under the so-called "Wagner bill" shall, in addition to those benefits, receive benefits from your organization?

Mr. PENCE. No, sir.

Senator KING. Or if they do, they ought to be subtracted from the other so that in the aggregate they will be placed on a parity with others who are getting the benefits?

Mr. PENCE. That is right. And we are particularly concerned that the very fact that for some years we have had our private plan covering the professional group only, that our nonprofessional group shall have full access to the general benefits intended under the act.

In addition, if I may, I should like to add a further word in personal capacity. In the official year book of our organization for 1934, under the heading of "Character and Cooperation in Social Reconstruction" reference is made to—

* * * certain areas of our common social life which seem to cry to heaven for a genuine experience of cooperative faith.

The insecurity of our people is perhaps the most obvious and tragic of these. We are living in a time—

When the frontier of our forefathers lies at hand no longer to reward the self-respecting effort of the individual wherever he may go;

When the returns of honorable labor, and the costs of decent living, are so unstable and disparate as to produce grave anxiety and strain;

When even the very access to livelihood, and the right to earn subsistence, are denied to millions;

When 1 person in 5 in certain States (and in certain cities 1 in 4) is on public-relief rolls;

When 5,000,000 families are expected, according to announcement by high Government authority, to require public "relief of destitution" by next Febru-

ary—a situation in which relief as a private charity has given way to rescue as a governmental duty;

When perhaps 10,000,000 are still unemployed;

When a whole generation of youth—those with whom the Y. M. C. A. has chiefly concerned itself—never yet employed and almost unwanted, economically speaking, stand helpless before forces they cannot understand, and often hopeless amidst attitudes and conflict they cannot support;

When vast projects of experimentation are organized, as expressions of social concern, in the C. C. C. camps, in the Tennessee Valley, in subsistence homesteads in emergency colleges; and gigantic public works in city slums, in water-power developments, in parks, and on the land; projects without precedent, reflecting needs too great to understand, imposing obligations upon all citizens, leading to bewilderment for many, to honest differences as to policy among not a few, and to open ridicule and scorn by some;

When the economy in which we live, whether one of scarcity or surplus, requires a principle of reference, something human and ultimate, by which to appraise economic forces and the control of their behavior;

When social security has become a major public issue, including insurance against the hazards of unemployment, sickness, and old age; whilst the restoration, long hoped for, of employment and opportunity to work, production, purchasing power, is yet delayed;

When issues involving the health, happiness, security, and the very life of millions are still measured, and attitudes toward them determined very largely by considerations of political advantage or financial self-interest.

These facts and others challenge confidence in Christian character at its very heart and test the first claims of any cooperative philosophy. In what vital forms and relationships, one is led to wonder, do the pages of record of this book reveal Association experience and skill meeting this challenge?

It is estimated on the basis of reports from 333 Associations a year ago that 1 member in 6 over 18 years of age was then unemployed. It is known that Y. M. C. A. members as a group are younger and lower-salaried workers, and that the savings and all other equities of many have been sacrificed. The Association's own life is involved in its members' security and welfare, along with that of the whole community.

Therefore every aspect of recent national economic policy concerns the Y. M. C. A.'s mission, methods, and message.

It is concerned with the aims, the hopes, the practices, and the tendencies of N. R. A. and other emergency administrations; and with all of the debates upon these, to see if the cooperative capacities of the agricultural and trade groups within themselves (worker and employer alike), or between them all with the whole people through government, can keep their unity long enough to break the force of the depression, and their goodwill firmly enough to withstand the efforts of those who would defeat their purpose.

It is concerned with the functioning of the courts, with their unfettered freedom and courage, whose decisions by authority of the people through the law are sustaining or marring the service of justice in the land.

It is concerned with the dignity and right of labor under all conditions, and with justice to labor under modern industrialism, holding the return of employment, the growth of real wages, and the cooperative achievement of industrial peace as urgent, just, and Christian.

It is concerned with the restoration of confidence upon honorable terms, with the reestablishment of production consonant with public welfare, with the continuance of experimentation toward a more abundant and Christian society for all, holding dear the values hitherto secured when they do not obstruct greater values.

The CHAIRMAN. The committee thanks you very much.

The committee will recess until tomorrow at 10 o'clock.

(Whereupon, at 11:15 a. m., the hearing recessed as noted.)

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